Employees' Retirement System
City of Baltimore, Maryland

Comprehensive Annual Financial Report
A Component Unit of the City of Baltimore, Maryland
Year Ended June 30, 2001

Employees' Retirement System
City of Baltimore, Maryland

Comprehensive Annual Financial Report

A Component Unit of the City of Baltimore, Maryland
Year Ended June 30, 2001

Prepared by:

Thomas P. Taneyhill, CPA
Administrator

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Deputy Administrator

Bernita Kittrell
Accountant II

Employees' Retirement System
City of Baltimore, Maryland
Comprehensive Annual Financial Report
Year Ended June 30, 2001

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Introductory Section

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Employees' Retirement System, City of Baltimore, Maryland

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2000

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

CITY OF BALTIMORE

MARTIN O'MALLEY, Mayor

RETIREMENT SYSTEMS

THOMAS P. TANEYHILL, CPA, Administrator
640 City Hall
Baltimore, Maryland 21202-3470

December 19, 2001

The Board of Trustees
Employees' Retirement System
Baltimore, Maryland 21202

The Comprehensive Annual Financial Report of the Employees' Retirement System of the City of Baltimore (ERS) for the fiscal year ended June 30, 2001, is submitted herewith. The ERS is a component unit of the City of Baltimore. The System's administration is responsible for both the accuracy of the data, and the completeness of the presentation, including all disclosures. To the best of my knowledge and belief the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the ERS.

This report consists of five sections: an Introductory Section which contains the Letter of Transmittal, the identification of the Board of Trustees, the Chairman's letter, the administrative organization, and professionals who provide services to the Board of Trustees; the Financial Section which contains the opinion of the independent auditor, the financial statements of the System and certain required supplementary information; the Investment Section which contains a report on investment activity and policies, investment results, various investment schedules, and investment professionals who provide services to the Board of Trustees; the Actuarial Section which contains the independent actuary's certification letter, assumption tables, schedules of valuation data, and a summary of plan benefit provisions; and the Statistical Section which includes significant data pertaining to the System.

Established January 1, 1926, by City Ordinance, the ERS is a defined benefit plan which covers regular and permanent employees who are employed in the general administrative service of the City and certain non-teacher employees of the New Baltimore City Board of School Commissioners. Excluded from the ERS are uniformed Fire Department and Police Department personnel, who become members of the Fire and Police Employees' Retirement System, and elected officials, who become members of the Elected Officials' Retirement System. Both the Fire and Police and the Elected Officials' Retirement Systems are Baltimore City pension plans. Also excluded are teachers of the New Baltimore City Board of School Commissioners, and Library personnel who become members of the Maryland State Retirement System.

All System related administrative and benefit provisions are established by City ordinance, as contained in Article 22 of the Baltimore City Code, and may be amended only by the Mayor and City Council. The plan provisions provide a contractual relationship for the membership, whereby benefits may not be diminished or impaired in any way.

Membership in the ERS occurs after one year of covered employment. The ERS provides normal service retirement benefits for members who attain the age and service requirements or thirty years of service, regardless of age. Early service retirement benefits are also provided for members who attain the minimum age and years of service requirements. Coverage for line of duty disability benefits is immediate upon entry into the System. Disability benefits for non-duty related injury or illness are provided after the attainment of five years of membership. Line of duty death benefits are provided upon membership for any member whose death results from an injury occurring in the actual performance of duty. After one year of System service, members are also covered for non-duty related death benefits.

For members who have been laid-off or whose positions with the City have been abolished, benefits are provided after the attainment of five years of System service. Deferred vested benefits are available to noncontributory members who terminate employment with the City after ten years of System service and to contributory members after fifteen years of System service.

Throughout the year, the System's staff provides benefits counseling to all benefit applicants. Additionally, the staff provides benefit presentations at new employee orientations, at seminars for prospective retirees, and, upon request, to departments and agencies.

The Board of Trustees
Employees' Retirement System
Baltimore, Maryland 21202

December 19, 2001

Major Initiatives

For the first time, the Board had an independent actuarial audit performed. The purpose of the audit was to determine if the actuarial valuation as of June 30, 2000 was prepared in accordance with generally accepted actuarial standards so that the results could be relied upon by the Board for maintaining the Plan in a sound financial condition. The scope of the audit included both a technical review to determine the accuracy of the actuarial results, and a professional peer review of the actuarial assumptions and methods, and of the information provided in the actuarial valuation report. The technical review covered a verification of the valuation work performed on both the active and retired members. I am pleased to report that the auditor found the work of the System's actuary to be reasonable and performed in accordance with generally accepted actuarial principles and practices.

During the year, amendments to the plan provisions were proposed by the City Administration to improve the service retirement and non-line of duty disability retirement benefits. In addition, the Board of Trustees proposed amendments to include: establishing a new 40% survivorship non-line of duty death benefit for members who have 20 or more years of service credit; lowering the eligibility requirements for line of duty disability, to make the requirements more equitable; reducing the Workers Compensation offset provisions for disability and death benefits, to allow a more equitable offset; and increasing or establishing survivorship benefits for eligible spouses and eligible minor children of members who selected the Maximum Benefit and retired prior to June 29, 1989, in order to make these beneficiaries eligible for the same benefit entitlements as beneficiaries of members who retired after June 28, 1989. The Board also proposed a retroactive implementation date of April 1, 2001. The Mayor and City Council adopted all of these proposals.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Employees' Retirement System, City of Baltimore, Maryland for its comprehensive annual financial report for the fiscal year ended June 30, 2000. This was the 18th consecutive year (fiscal years 1983-2000) that the ERS has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. I believe that this comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements and I am submitting it to the GFOA to determine its eligibility for another certificate.

Financial Information

This report has been prepared in accordance with the principles of governmental accounting and reporting promulgated by the Governmental Accounting Standards Board. The accrual basis of accounting is used to record assets and liabilities and revenues and expenses. Revenues for the ERS are recorded when earned regardless of the date of collection, and expenses are recorded when liabilities are incurred regardless of when payment is made.

The System's administration is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the ERS are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgements by the System's administration.

Sufficient internal accounting controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements and supporting schedules.

Additions To Plan Net Assets

Income from investments and the collection of employer and member contributions provide the reserves needed to finance retirement benefits. This year, the employer contributions lead the System's revenues. In a very difficult investment environment, the portfolio had a total rate of return of -2.2% for the fiscal year. The over-weighting in fixed income, with a return of +12.1%, helped to offset the negative returns of domestic equities, at -9.6%, and international equities at –19.4%. Negative investment performance accounts for the large decrease in income compared to last year.

The Board of Trustees
Employees' Retirement System
Baltimore, Maryland 21202

December 19, 2001

	Fiscal Year 2001	Fiscal Year 2000	Increase (Decrease) Amount	Increase (Decrease) Percentage
Net Investment Income	$(7,919,628)	$107,681,165	$(115,600,793)	(107.4) %
Employer Contributions	16,592,465	18,869,253	(2,276,788)	(12.1)
Member Contributions	381,124	457,620	(76,496)	(16.7)
Total	$9,053,961	$127,008,038	$(117,954,077)	(92.9) %

Deductions From Plan Net Assets

The main purpose of a retirement system is to pay benefits. The cost of such benefits includes recurring benefit payments, refund of contributions to terminated members, and the cost of administering the System. The increase in expenses resulted mainly from an increase in retirement allowances paid for the year.

	Fiscal Year 2001	Fiscal Year 2000	Increase (Decrease) Amount	Increase (Decrease) Percentage
Retirement Allowances	$77,268,674	$74,757,885	$2,510,789	3.4 %
Administrative Expenses	1,514,343	1,501,828	12,515	.8
Lump Sum Death Benefits, Cash Outs and Refunds	2,103,697	817,780	1,285,917	157.2
Total	$80,886,714	$77,077,493	$3,809,221	4.9%

Investments

As provided for in the plan provisions, Article 22 of the Baltimore City Code, the Board of Trustees is authorized to invest the System's assets and to take appropriate action regarding the investment, management and custodianship of plan assets. The investment responsibilities of the Board include establishing reasonable investment objectives, developing investment policy guidelines, selecting investment managers, and evaluating performance results to assure adherence to guidelines and the achievement of objectives.

The investments of the System are governed primarily by an investment authority known as the "prudent person rule." The prudent person rule establishes a standard for all fiduciaries, which includes anyone who has authority with respect to the fund. The prudent person rule states that fiduciaries shall discharge their duties solely in the interest of the System participants and beneficiaries and with the degree of diligence, care and skill which prudent men and women would ordinarily exercise under similar circumstances in a like position.

The Board recognizes that the objective of a sound and prudent policy is to produce investment results which will preserve the plan's assets, as well as to maximize the earnings of the System consistent with its long term needs. Furthermore, through the diversification of plan assets over several investment classifications, the Board recognizes the need to maintain a balanced investment approach to not only maximize investment results but to also reduce risk. For fiscal year 2001, investments provided a –2.2% rate of return. The System earned an annualized rate of return over the past three years of 5.3% and 11.6% over the last five years.

Funding

A key measure of the health of a retirement system is the level of funding; the better the level of funding, the larger the ratio of assets accumulated to the actuarial accrued liabilities and the greater the level of investment income potential. Also, a

The Board of Trustees
Employees' Retirement System
Baltimore, Maryland 21202

December 19, 2001

Funding

A key measure of the health of a retirement system is the level of funding; the better the level of funding, the larger the ratio of assets accumulated to the actuarial accrued liabilities and the greater the level of investment income potential. Also, a better level of funding gives the participants a higher degree of assurance that their pension benefits are secure. The advantage of a well funded plan is that assets are irrevocably committed to the payment of benefits. The City's dedication to provide a financially sound retirement plan for its members is illustrated in the "Schedule of Funding Progress" found on page 22. This illustration presents the accrued liabilities calculated according to the plan funding method and the historical progress made by the ERS toward the funding of those liabilities. The "funded ratio" presents a positive indication of the strength of the System.

Independent Audit

The Baltimore City Code stipulates that the Board of Estimates shall select an independent auditor for the Retirement System, and that the auditor shall report her findings annually to the Board of Estimates and to the Board of Trustees. The Board of Estimates elected to have the Department of Audits render an opinion as to the fairness of the System's financial statements. The auditor's report is contained herein.

Professional Services

Consultants and investment managers are appointed by the Board of Trustees with subsequent approval by the City's Board of Estimates. These professionals have been chosen based on their ability to provide services that are essential to the effective and efficient operation of the System. All of the professionals that provide services to the Board are listed in the Introductory Section and the Investment Section of this report.

Acknowledgments

The preparation of this report could not be accomplished without the dedicated efforts of the System's Accounting Staff. I would like to express my appreciation to all who assisted and contributed to its preparation.

This report is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means for determining responsible stewardship for the assets contributed by the members and the City of Baltimore.

This report is being forwarded to the Mayor, the President of the City Council, and other members of the Board of Estimates, to all members of the City Council, and to all Departments so that all members of the ERS will have the opportunity to review the report. Hopefully, the administration of the City and the membership of the System will find this report both informative and helpful.

I would like to take this opportunity to express my gratitude to the staff and our advisors who have worked so diligently to assure the successful operation of the System.

Respectfully submitted,

Thomas P. Taneyhill

Thomas P. Taneyhill, CPA
Administrator

Employees' Retirement System
City of Baltimore, Maryland
BOARD OF TRUSTEES

Both appointed and elected trustees serve four-year terms. Appointed trustees continue to serve until replaced by the Mayor, or until the expiration of two consecutive full terms. There are no limitations on the number of terms an elected trustee may serve.

CITY OF BALTIMORE

MARTIN O'MALLEY, Mayor

RETIREMENT SYSTEMS

THOMAS P. TANEYHILL, CPA, Administrator
640 City Hall
Baltimore, Maryland 21202-3470

December 19, 2001

To All Members, Retirees, and Beneficiaries
Employees' Retirement System

The year that ended June 30, 2001, was another year of change for the members on the System's Board of Trustees. I want to take this opportunity to recognize the contributions made by the Trustees who served on the Board and to acknowledge and welcome the new members to the Board.

I would first like to recognize the contributions made to the Board by James A. Bush, Jr., who left City employment during the past year. James had been a member of the Board for nine years since February 1992. James had also served as Chairman of the Board for three and a half years having been elected to that position two times since 1998. James' dedication to the membership and knowledge of investment matters were great assets to the Board.

Barbara Dent was elected to replace James Bush on the Board. In her roll as the Manager of Central Payroll, Barbara provides the Board a unique perspective from which all employees and retirees have a special interest.

As you may know, the Mayor appoints two members to the System's Board of Trustees. Mayor O'Malley appointed Kevin Davis to replace Aron Raskas. Mr. Davis is a Principal in the May Davis Group, a local investment management and brokerage firm. Kevin brings a wealth of investment knowledge to the Board.

As a result of the departure of James Bush who was Chairman of the Board, the Board held elections for Chair and Vice-Chair. I was elected Chair by the Board members to complete the term that ends December 31, 2001. Ernie Glinka was elected Vice-Chair by the Board members, also for the remainder of the term ending December 31, 2001.

This past year was also a year of challenge for the members of the Board. Certain investment markets had dramatic downturns. This environment of course impacted the System's investment portfolio. However, the System's investments overall performed very well when compared to other public retirement systems. This was in large part due to the asset allocation targets established by the Board as well as the Board's continuous scrutiny of our investment managers and their performance. Though the domestic and global investment markets have presented a very difficult environment, please be assured that the Board will continue to work diligently with the investment advisor, investment managers, and consultants to provide a financially secure Retirement System for all of our members, retirees, and beneficiaries.

On behalf of the members of the Board and the System's staff, we appreciate your continued support.

Sincerely,

Joan M. Pratt

Joan M. Pratt
Chair, Board of Trustees

Employees' Retirement System
City of Baltimore, Maryland
ORGANIZATION CHART

- **BOARD OF TRUSTEES**
  - **ADMINISTRATOR**
    Thomas P. Taneyhill, CPA
    - **DEPUTY ADMINISTRATOR**
      Roselyn H. Spencer
      - **ACCOUNTING MANAGER**
        Charles W. Parker
        - **COMPUTER SYSTEMS SUPERVISOR**
          Milton J. Skopinski Jr.
          - **BENEFIT SYSTEMS ANALYST**
            Veronica M. Stull
            - **ACCOUNTANT**
              Bernita Kittrell
      - **ADMINISTRATION SUPERVISOR**
        Donna S. Bowen
        - **OFFICE ASSISTANT**
          Patricia Stokes
      - **RECORDS MANAGEMENT SUPERVISOR**
        Deborah A. Lohrmann
        - **OFFICE ASSISTANTS**
          Kimberly M. Heckman
          Carol D. Moody
          Janet Madison
          Evelyn B. Anderson
          Sandra K. Lane
          Laurel L. Kanyer
      - **BENEFITS MANAGER**
        Joanna B. Kann
        - **BENEFIT ANALYSTS**
          Bessie M. Chase
          Barbara Rostkowski
          Franscine M. Beads
          Germaine Hughes
          Derrick Peoples
          Sandra M. Gall
          Valerie L. Moore
          - **OFFICE ASSISTANTS**
            Valerie S. Tilman
            Scharbette F. Clark
            - **MEDICAL CLAIMS PROCESSOR**
              Sharon M. Garcia
      - **GENERAL COUNSEL**
        Abraham M. Schwartz
        - **ASSOCIATE COUNSEL**
          Milton Ely

LEGAL COUNSEL, ACTUARY, AND INDEPENDENT AUDITOR

LEGAL COUNSEL

Law Department
City of Baltimore
Thurman W. Zollicoffer Jr., Esq.
Richard E. Kagan, Esq.

GENERAL COUNSEL

Employees' Retirement Systems
City of Baltimore
Abraham M. Schwartz

ACTUARY

William M. Mercer, Inc.
Douglas L. Rowe, F.S.A.
Baltimore, Maryland

INDEPENDENT AUDITOR

Department of Audits
Yovonda Brooks, CPA
City of Baltimore

See Pages 40 and 41 in the Investment Section for a list of investment professionals.

Financial Section

CITY OF BALTIMORE

MARTIN O'MALLEY, Mayor

DEPARTMENT OF AUDITS

YOVONDA D. BROOKS, CPA
City Auditor

Room 321, City Hall
Baltimore, Maryland 21202
Telephone: (410) 396-4783
Telefax: (410) 545-3961

December 19, 2001

Honorable Joan M. Pratt, Comptroller
And Other Members of the
Board of Estimates of the
City of Baltimore
Board of Trustees of the
Employees' Retirement System

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying general purpose financial statements of the Employees' Retirement System of the City of Baltimore, a component unit of the City of Baltimore, as of and for the year ended June 30, 2001, as listed in the table of contents. The general purpose financial statements are the responsibility of the Employees' Retirement System's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based upon our audit, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Employees' Retirement System as of June 30, 2001, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. Supplementary information and supporting schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Employees' Retirement System. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The other data, listed in the table of contents under the Investment Section, the Actuarial Section, and the Statistical Section, have not been audited by us and, accordingly, we express no opinion on such data.

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 19, 2001, on our consideration of the Employees' Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Yovonda D. Brooks

Yovonda D. Brooks, CPA
City Auditor

Employees' Retirement System
City of Baltimore, Maryland
STATEMENT OF PLAN NET ASSETS
June 30, 2001

Assets		
Cash and Cash Equivalents		$ 53,846,353
Receivables		
Accrued income	$ 8,197,001	
Investments sold	14,965,007	
Other receivables	653,461	
Total Receivables		23,815,469
Investments, at fair value		
Stocks	$ 410,638,790	
Bonds	552,389,948	
Mutual funds	273,822,624	
Real estate	25,235,077	
Guaranteed investment contracts	19,800,887	
Total Investments		1,281,887,326
Securities Lending Collateral		204,357,140
Total Assets		$1,563,906,288
Liabilities		
Securities lending collateral	$ 204,357,140	
Investments purchased	48,780,693	
Retirement allowances payable	1,934,748	
Investment management fees payable	854,862	
Administrative expenses payable	284,270	
Other accounts payable	127,090	
Total Liabilities		$ 256,338,803
Net Assets Held in Trust for Pension Benefits		$1,307,567,485

A schedule of funding progress is presented on page 22.

See notes to financial statements.

Employees' Retirement System
City of Baltimore, Maryland
STATEMENT OF CHANGES IN PLAN NET ASSETS
For the Year Ended June 30, 2001

Additions		
Contributions		
Employer	$ 16,592,465	
Plan member	381,124	
Total Contributions		$ 16,973,589
Investment Income		
Net depreciation in fair value of investments	$ (58,275,242)	
Interest, dividends, and real estate income	53,591,482	
Securities lending income	828,317	
	(3,855,443)	
Less investment expenses	4,064,185	
Net Investment Income		(7,919,628)
Total Additions		$ 9,053,961
Deductions		
Retirement allowances	$ 77,268,674	
Death benefits	1,887,026	
Administrative expenses	1,514,343	
Lump sum cash payments	215,953	
Refunds of member's contributions	718	
Total Deductions		$ 80,886,714
Net Decrease		$ (71,832,753)
Net Assets Held in Trust for Pension Benefits		
July 1, 2000		$ 1,379,400,238
June 30, 2001		$ 1,307,567,485

See notes to financial statements.

1. Plan Description:

The Employees' Retirement System of the City of Baltimore (ERS) is the administrator of a cost-sharing multiple employer defined benefit local government retirement plan. Established January 1, 1926, the plan covers City and the New Baltimore City Board of School Commissioners' employees with the exception of those required to join the Maryland State retirement systems, or the two other Baltimore City retirement systems, the Fire and Police Employees' Retirement System and the Elected Officials' Retirement System. Based on criteria established by the Governmental Accounting Standards Board, the ERS is a component unit of the City of Baltimore and is included in the City's financial report as a public employees retirement system (PERS).

At June 30, 2001, the ERS membership consisted of:

Retirees and beneficiaries currently receiving benefits	8,128
Terminated plan members entitled to but not yet receiving benefits	1,054
Active plan members	10,223
Total membership	19,405

The plan provides retirement benefits as well as death and disability benefits in accordance with the Plan Provisions, Article 22 of the Baltimore City Code. The Mayor and City Council may only amend the plan provisions. The reduction of benefits is precluded by the City Code.

The ERS is composed mainly of non-contributory members, 98.4% of the membership. The non-contributory class consists of all employees hired on or after July 1, 1979 who automatically become members on the first anniversary of employment, and all members hired prior to July 1, 1979, who elected to transfer from the contributory class.

A very small portion, 1.6% of the active membership, remain as contributory class members. The contributory class consists of all members hired prior to July 1, 1979 who did not elect to transfer to the non-contributory class. Membership was mandatory on the member's 2nd anniversary of employment. However, the member could voluntarily enroll within the first 2 years of employment.

Post retirement benefit increases are granted each year to eligible retirees and beneficiaries. A 1% minimum benefit increase is provided by the plan provisions. However, additional percentage increases are granted if the plan is determined at June 30 to have excess investment earnings. Total post retirement benefit increases are not to exceed 5% in any given year. See the description of the Paid Up Benefit Reserve and the Contingency Reserve as noted under "Contributions and Reserves" in Note 3 below.

Effective April 1, 2001, amendments were made to the plan provisions as follows:

a) The service retirement formula for Class A members was increased from 1.875% to 1.935%; and for the Class B member from 1.725% to 1.785%
b) The non-line of duty disability retirement formula for Class A members was increased from 1.85% to 1.90%; and for the Class B member from 1.70% to 1.75%;
c) The service and non-line of duty disability retirement formula for Class C members was increased from 1.5% of Average Final Compensation, plus .35% of Average Final Compensation in excess of Covered Compensation for each year of service up to 30 years, to 1.6% of Average Final Compensation, plus .25% of Average Final Compensation in excess of Covered Compensation for each year of service up to 30 years. The Class C retirement factor for service credit over 30 years remains at 1.85%.
d) A new non-line of duty death benefit was established for members who have 20 or more years of service credit. This new benefit provides a 40% survivorship benefit to the member's eligible spouse or eligible minor children.
e) Line of duty disability eligibility requirements were lowered from 75% anatomical loss of one or 50% anatomical loss of two body parts listed in the provision to 50% loss of one or 25% loss of two.
f) Workers Compensation offset provisions were reduced and were made more equitable for the member.
g) Survivorship benefits were either increased or established to 40% for eligible spouses and eligible minor children for members who selected the Maximum Benefit and retired prior to June 29, 1989.

The City Administration elected to pay the $63.2 million cost of these improvements for the first 20 years by utilizing a portion of the System's net unallocated excess earnings as of June 30, 2000, which totaled $86.4 million at that date.

2. Summary of Significant Accounting Policies:

Basis of Presentation:
The accounting and financial reporting policies of the ERS included in this report conform to generally accepted accounting principles and reporting standards as promulgated by the Governmental Accounting Standards Board, which designates accounting principles and financial reporting standards applicable to PERS. This report includes solely the accounts of the ERS, a component unit of the City of Baltimore. There are no component units of the ERS based on the nature of operational or financial relationships.

Basis of Accounting:
These financial statements have been prepared on the accrual basis of accounting, whereby revenues are recorded when they are earned, expenses are recorded when liabilities are incurred and investment purchases and sales are recorded as of their trade date. Member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments:
Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at the current exchange rates. The real estate holdings are based on the most recent appraisal (either internal to the manager or third party) as then presently available. Investments that do not have an established market are reported at estimated fair value.

3. Contributions and Reserves:

Contributory members are required by the plan provisions to contribute 4% of regular compensation through payroll deduction. The employer contributions are determined through an actuarial valuation. The valuation method is stipulated in the plan provisions. Administrative expenses are paid from investment earnings.

The plan provisions, Article 22 of the Baltimore City Code, establish the following reserves:

Annuity Savings Reserve - Accumulated in this reserve are members' contributions inclusive of interest credits, less amounts distributed upon termination of employment or death, or transferred to another reserve for retirement.

Annuity Reserve - Upon retirement, the accumulated contributions of members are transferred to this reserve. From this reserve, the member's accumulated contributions are paid as a life annuity.

Pension Accumulation Reserve - Employer contributions are credited and accumulated with earnings in this reserve. Certain death benefits are paid from here. In addition, when a member retires, an amount equal to the member's pension reserve is transferred to the Pension Reserve.

Pension Reserve - From this reserve is paid the pension portion of the member's retirement allowance. The pension represents benefits for life derived from the contributions made by the employer and accumulated investment earnings.

Paid Up Benefit Reserve - Credited to this reserve are a portion of excess investment earnings, as defined by the plan provisions, and all earnings on the investments of this reserve. Post-retirement benefit increases provided by the excess earnings are paid from this reserve.

Contingency Reserve - Credited to this reserve are a portion of excess investment earnings, as defined by the plan provisions, and all earnings on the investments of this reserve. The Contingency Reserve was created to insure payment of benefit increases payable from the Paid Up Benefit Reserve and to provide post-retirement benefit increases when sufficient excess earnings are not made in any year.

At June 30, 2001, the balances in the legally required reserves are as follows:

Reserves	Balance
Annuity Savings Reserve	$ 7,646,329
Annuity Reserve	30,104,580
Pension Accumulation Reserve	543,963,230
Pension Reserve	545,727,107
Paid Up Benefit Reserve	178,360,209
Contingency Reserve	1,766,030
Total Reserves	$ 1,307,567,485

The above reserves are fully funded at June 30, 2001. The Pension Accumulation Reserve has assets in excess of the actuarially determined accrued liability in the amount of $91,070,463.

4. Securities Lending:

The Board of Trustees entered into a Securities Lending Authorization Agreement with Mellon Bank, the System's custodian bank. All individual securities which are readily marketable and which are not restricted due to an outstanding short option are eligible for loan at the discretion of the custodian bank. The investment manager may loan securities held in custody of commingled accounts if authorized in the manager's contract with the ERS.

Collateral received in exchange for securities loaned is collected in an escrow account for the ERS's benefit for the duration of the loan. At no time will the System lose custody of the loaned securities. Collateral in exchange for the principal loaned may be in the form of cash, or securities issued or guaranteed by the U.S. government, its agencies or instrumentalities. Irrevocable Letters of Credit from banks approved by the Custodian may not be used as collateral. The minimum levels of collateral will be set at 102% of the market value of domestic securities loaned, including all accrued income, and 105% of the market value of international securities loaned, including all accrued income. If the market value of the collateral falls below 100% of the loaned securities, additional collateral will be collected to maintain the appropriate minimum level. All collateral amounts are marked to market daily. The ERS does not have the right to sell or pledge securities received as collateral without borrower default.

At June 30, 2001, the ERS had no credit risk exposure to borrowers because the amounts the ERS owes borrowers exceeded the amounts the borrowers owed the ERS. The market value of securities on loan at June 30, 2001, was $198,754,628, and the market value of the collateral received for those securities on loan was $204,357,140. The ERS did not impose any restrictions during the fiscal year on the amount of loans the Custodian made on its behalf. The terms of the Securities Lending Authorization Agreement require that the Custodian indemnify the ERS against: (1) the failure to demand adequate and appropriate collateral from a borrower; (2) failure to comply with the investment guidelines in connection with the investment and reinvestment of cash collateral; (3) failure to obtain and perfect a security interest or rights equivalent thereto in and to the collateral; or (4) the failure to make a reasoned determination of the creditworthiness of any borrower. There were no such failures by any borrowers during the fiscal year. Moreover, there were no losses during the fiscal year resulting from default of the borrower or the Custodian.

Substantially, all securities loans can be terminated on demand either by the Custodian or by the borrower, although generally the average term of these loans is one week. Cash collateral is invested in the Custodian's short-term investment pool. The short-term investment pool guidelines specify that a minimum of 20% of the invested cash collateral is to be available each business day and the dollar weighted average maturity of holdings should not exceed 90 days.

5. Cash and Investments:

The System's cash deposits are entirely covered by federal depository insurance at all times.

The Board of Trustees (the Board) is authorized by the Baltimore City Code to make investments in accordance with the guidelines and limitations set forth in the Code. The Board accomplishes the daily management of the System's investments through an external investment advisor who acts as a fiduciary for the System and through external investment managers. The Board invests the assets of the System using the “prudent person standard” which allows the Board to consider the probable safety of investments, avoid speculative investments, and invest as people of prudence, discretion, and intelligence would in a similar situation. The Board has adopted an investment policy and guidelines to formally document its investment objectives and responsibilities.

Governmental Accounting Standards Board Statement Number 3 categorizes three levels of credit risk in owning securities. Category 1 includes investments insured or registered, or for which the securities are held by the System or its agent in the System's name. Category 2 securities are uninsured and unregistered and held by the counterparty's trust department or agent in the System's name. Category 3 securities are uninsured and unregistered and held by the counterparty, or by its trust department or agent but not in the System's name.

Most investments of the ERS at June 30, 2001, have been determined to be Category 1 risks. The remainder have been determined to be unclassified for credit risks purposes as indicated in the following schedule:

	Fair Value
Category 1:	
Stock	
Not on securities loan	$ 378,544,241
On securities loan for securities collateral	32,094,549
U.S. Treasury & Agency obligations	
Not on securities loan	189,515,707
On securities loan for securities collateral	143,779,032
Corporate bonds	
Not on securities loan	196,214,162
On securities loan for securities collateral	22,881,047
Total - Category 1	$ 963,028,738
Mutual funds	273,822,624
Real estate	25,235,077
Guaranteed investment contracts	19,800,887
Total Investments	$ 1,281,887,326
Securities lending collateral pool (not categorized)	$ 204,357,140

At June 30, 2001, the Employees' Retirement System held foreign investments with a fair value of $151,798,439. These securities are subject to foreign exchange risk. At June 30, 2001, the ERS held foreign forward contracts hedging foreign investment positions totaling approximately U.S. $0.7million in denomination of the Japanese Yen.

Investments of the System are held under custodial agreement.

Supplementary Information and Supporting Schedules

Employees' Retirement System
City of Baltimore, Maryland
Required Supplementary Information
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Cost (b)	Unfunded (Excess of) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of) as a Percentage of Covered Payroll ((b-a)/c)
6-30-92	$ 694,210,592	$ 676,441,883	$ (17,768,709)	102.6%	$ 298,770,150	(5.9)%
6-30-93	753,124,226	753,743,532	619,306	99.9	288,273,636	0.2
6-30-94	789,089,530	796,789,574	7,700,044	99.0	290,192,498	2.7
6-30-95	852,016,968	844,447,422	(7,569,546)	100.9	290,125,925	(2.6)
6-30-96	975,925,406	990,970,156	15,044,750	98.5	300,219,343	5.0
6-30-97	1,055,278,205	1,077,066,479	21,788,274	98.0	276,069,285	7.9
6-30-98	1,185,992,587	1,155,225,754	(30,766,833)	102.7	290,847,770	(10.6)
6-30-99	1,247,951,875	1,193,031,357	(54,920,518)	104.6	305,212,012	(18.0)
6-30-00	1,309,547,725	1,217,621,669	(91,926,056)	107.5	308,895,853	(29.8)
6-30-01	1,374,100,736	1,283,030,273	(91,070,463)	107.1	309,602,035	(29.4)

See notes to required supplementary information.

Employees' Retirement System
City of Baltimore, Maryland
Required Supplementary Information
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30	Annual Required Contributions	Percentage Contributed
1992	$11,777,619	100%
1993	13,354,462	100
1994	20,558,163	100
1995	22,664,750	100
1996	22,119,015	100
1997	19,679,864	100
1998	20,989,768	100
1999	19,709,553	100
2000	18,869,253	100
2001	16,592,465	100

See notes to required supplementary information.

1. The information presented in the required supplementary schedules was determined as part of the actuarial valuation dated June 30, 2001. Additional information as of the latest actuarial valuation follows:

Actuarial cost method:	Projected unit credit cost
Amortization method:	Level dollar, open
Amortization period:	20-year period reestablished each year; only one amortization base.
Asset valuation method:	Market value adjusted for investment surpluses and deficits relative to investment assumptions, phased-in at 20% each year.
Actuarial assumptions:	
Investment rate of return	
Pre-retirement	8.00%
Post-retirement	6.80%
Projected salary increases	4.75-7.0% (includes inflation at 3.75%)
Includes inflation at	3.75%
Cost-of-living adjustments	1% annual increase with a maximum 5% increase dependent upon investment earnings.

2. New plan benefit provisions, which included an increase in the accrual rate for normal service retirement and an increase of 3% to retired members and beneficiaries of retired members who began receiving benefits prior to June 28, 1991, increased the June 30, 1992, actuarial accrued liability by $35 million.

3. New plan benefit provisions, which included amending the definition of average final compensation, amending the definition of covered compensation for Class C members only, lowering the eligibility requirements for Class C members to receive credit for pre-employment military service, providing normal service retirement after thirty years of service, regardless of age, and an increase in the accrual rate for normal service retirement, increased the June 30, 1993, unfunded actuarial accrued liability by $26.6 million.

   A lower than assumed increase in covered payroll for active employees decreased the June 30, 1993, unfunded actuarial accrued liability by $12 million.

4. Changes in actuarial assumptions, which included a decrease in the actuarial assumed rate of return on assets for pre-retirement to 8.25% and for post-retirement to 6.8%, down from 8.5% and 7.0%, respectively, increased the June 30, 1995, actuarial accrued liability by $8.3 million. Also, a lower than assumed increase in covered payroll for active employees decreased the June 30, 1995, actuarial accrued liability by $6.4 million.

Employees' Retirement System
City of Baltimore, Maryland
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

5. New plan benefit provisions, which included establishing a new method for calculating additional service credit for certain employees who leave employment during certain times, shortening the eligibility period for new retirees to begin receiving post retirement benefit increases, and a change in post retirement benefits, increased the June 30, 1996, unfunded actuarial liability by $60 million. A higher than assumed increase in disability retirements and job abolishment retirements increased the June 30, 1996, unfunded actuarial liability by $12 million. Also, a decrease in the withdrawal assumption increased the June 30, 1996, unfunded actuarial liability by an additional $14 million. The June 30, 1996, unfunded actuarial liability was reduced by $58 million, due to the application of actuarial interest surplus.

6. Changes in actuarial assumptions, which included a decrease in the actuarial assumed rate of return on assets for pre-retirement to 8.00%, down from 8.25%, increased the June 30, 1999, actuarial accrued liability by $2.2 million. Also, a lower than assumed increase in covered payroll for active employees decreased the June 30, 1999, actuarial accrued liability by $5.2 million.

7. Effective April 1, 2001, amendments were made to the plan provisions. These amendments included: increasing the formulas for service and non-line of duty disability retirement for all Classes of membership; establishing a new non-line of duty death benefit for members who have 20 or more years of service credit; bwering the eligibility requirements for line of duty disability; reducing the Workers Compensation offset provisions for disability and death benefits; and increasing or establishing survivorship benefits for eligible spouses and eligible minor children of members who selected the Maximum Benefit and retired prior to June 29, 1989.

   The City Administration elected to pay the $63.2 million cost of these improvements for the first 20 years by utilizing a portion of the System's net unallocated excess earnings as of June 30, 2000, which totaled $86.4 million at that date.

Employees’ Retirement System
City of Baltimore, Maryland
SCHEDULE OF ADMINISTRATIVE EXPENSES
Year Ended June 30, 2001

The office of the Retirement Systems of the City of Baltimore administers three public employee pension plans: the Employees' Retirement System, the Fire and Police Employees' Retirement System, and the Elected Officials’ Retirement System. The total administrative expenses incurred by the three plans are set forth below:

Salaries and Wages:		
Permanent full-time salaries	$ 1,193,164	
Overtime	21,977	
Total Salaries and Wages		$ 1,215,141
Other Personnel Costs:		
Medical insurance and health care	$ 176,312	
Social Security	91,060	
Retirement	58,412	
Other	10,037	
Total Other Personnel Costs		$ 335,821
Contractual Services:		
Retirement payroll processing	$ 370,246	
Actuarial	296,342	
Data processing	175,000	
Audit	50,000	
Trustee education	42,820	
Dues and Publications	35,923	
Telephone	27,688	
Postage	20,447	
Printing	19,479	
Miscellaneous	16,906	
Training	14,515	
Legal Fees	9,930	
Advertising	3,680	
Total Contractual Services		$ 1,082,976
Materials and Supplies:		
Office supplies	$ 40,084	
Total Materials and Supplies		$ 40,084
Equipment:		
Computer equipment	$ 152,097	
Total Equipment		$ 152,097
Total Administrative Expenses		$ 2,826,119

The administrative expenses are allocated to each plan as follows:

Employees' Retirement System	$ 1,514,343
Fire and Police Employees' Retirement System	1,284,702
Elected Officials’ Retirement System	27,074
Total Administrative Expenses	$ 2,826,119

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF INVESTMENT EXPENSES
SCHEDULE OF PAYMENTS TO CONSULTANTS
For the Year Ended June 30, 2001

Schedule of Investment Expenses

Investment Expenses	**Fees**
Investment management fees	$ 3,727,433
Custodial fees	183,752
Investment advisor fees	153,000
Total Investment Expenses	**$ 4,064,185**

Schedule of Payments to Consultants

Firm	**Fees**	**Nature of Service**
William M Mercer, Incorporated	$ 173,658	Actuarial services
Buck Consultants	38,000	Actuarial Audit
Baltimore City, Department of Audits	20,000	Financial Audit

Note: A schedule of fees and commissions is also illustrated in the Investment Section of this report.

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Investment Section

JOSEPH BARCIC, JR.
SENIOR VICE PRESIDENT

INVESTMENT CONSULTANT'S REPORT

SAN FRANCISCO
NEW YORK
CHICAGO
ATLANTA
DENVER

Introduction

This report, prepared for the City of Baltimore Employees' Retirement System (ERS) by Callan Associates Inc., is based on information supplied by the System's custodian, Mellon Bank, N.A (Mellon). Mellon provides Callan Associates with beginning and ending market values, cash flows, and positions for the ERS as well as each manager, where applicable. Mellon audits the information contained in its accounting reports monthly. Investment information is reported to the greatest degree possible in conformance with the presentation standards of the Association for Investment Management and Research (AIMR).

Distinction of Responsibilities

The Employees' Retirement System (ERS) Board of Trustees (Trustees) is responsible for establishing the investment policy, or strategic asset allocation, which is the primary determinant of investment returns on assets. A thorough understanding of the plan's liabilities is essential for determining appropriate asset allocations. The two drivers of the analysis are the projections of the plan's liabilities and the projections of future capital market performance. Projections are generated for all the key dimensions of the funds: membership, benefits, liabilities, assets, and funding requirements. The Trustees considered the potential financial implications of a wide range of policies and has arrived at the investment policy after consideration. The Board of Trustees has adopted amended investment policy guidelines as a result of an asset/liability study performed by Callan Associates.

The investment managers appointed to execute the policy will invest ERS assets in accordance with the policy guidelines and with their judgment concerning relative investment values. In particular, the investment managers are accorded full discretion to: (1) select individual securities, (2) make periodic strategic adjustments to the mix of the common stock and fixed income securities, where applicable and (3) diversify their portfolios.

Investment Policy/Structure

The System's investment policy was designed to provide broad diversification among asset classes in order to maximize return at an appropriate level of risk and to minimize the risk of large losses to the System. In addition, asset allocation ranges have also been implemented to maintain compliance with the investment policy and to ensure that the ERS will achieve its long-term risk and return objectives. The following table outlines the ERS's investment policies:

Employees' Retirement System Investment Policy as of June 30, 2001

Asset Class	Allocation Target
U.S. Equity	40%
International Equity	15%
Total Equity	**55%**
U.S. Fixed Income	30%
Real Estate	10%
Alternatives	5%
Total Portfolio	**100%**

Within each asset class, the Trustees have employed several investment managers to further diversify the investment approach and to minimize style biases. The Trustees have employed both active and passive investment strategies to obtain the desired asset allocation mix in the most cost effective and efficient manner.

163 MADISON AVENUE, MORRISTOWN, NEW JERSEY 07960 TELEPHONE 973.993.9595 FACSIMILE 973.993.9044

Investment Objective

The ERS's investment objective is to outperform the return of a policy portfolio consisting of 38.5% S&P 500, and 15% Morgan Stanley Europe Australia Far East, 13.5% Lehman Bros. Govt./Corp + 1, 10.0% CPI+5%, 7.5% Lehman Bros. Govt./Corp Int. + 1%, 5% Balt ERS Alternative investments, 4.5% LB Long Treasury, 2.5% LB Govt/Credit, 2.0% LB Treasury 20+ yrs, 1.5% Russell 2000 + 2%. In addition, the ERS's performance is evaluated relative to the Callan Associates Public Fund Universe, a universe representing the performance of 102 funds with an aggregate market value of $743 billion as of June 30, 2001. In addition, each manager is evaluated against the appropriate Callan peer group (style) universe.

Market Overview

The fiscal year ended June 2001, represented a difficult investment environment for equities. The domestic stock market as proxied by the S&P 500 returned –14.8%, the international stock market as proxied by the MSCI EAFE index returned –23.6%, and domestic fixed income as proxied by the Lehman Bros Govt/Corp index returned 11.13%.

Investment Performance

For investment performance measurement purposes, the total investment portfolio is split between "actively managed" accounts and "other" assets. The "other" assets consists of the Cash Reserve, held for the payment of benefits and administrative expenses, and "Post Retirement" assets held in immunized portfolios dedicated solely for the purpose of paying post retirement benefit increases. It is only the actively managed assets that are displayed below.

For the fiscal year ended June 30, 2001, the ERS's rate of return was –2.15%. The ERS performed in the 28th percentile relative performance in Callan's public fund universe for 1 year and at or above median for 2, 3, 4, and 5 year periods. The fund out-performed its benchmark return of –5.72% by over 3.5%, due to strong above benchmark performance in domestic small and large cap value equities, Domestic Fixed Income, and Real Estate.

The market value of the actively managed assets decreased from $1.2 billion on June 30, 2000, to $1.1 billion on June 30, 2001. The decrease in value is attributable to investment related losses across both domestic and international equities as well as benefit payments. At the end of fiscal year 2001, the System's actively managed assets were allocated as follows:

			Fiscal Year Rate of Return	
	Market Value (in millions)	Percent of Total	ERS	Benchmark
U.S. Equity	$ 430.7	38.7%	-9.6%	-10.5%
International Equity	157.9	14.2%	-19.44%	-19.8%
Venture Capital	7.5	0.7%	-12.96%	0%
U.S. Fixed Income	490.9	44.1%	12.13%	11.3 %
Real Estate	25.2	2.3%	17.13%	11.2%
Total Fund	$1,112.2	100.0%	-2.15%*	-5.72%

Portfolio and Other Matters

During the fiscal year, the Board of Trustees in conjunction with Callan Associates reviewed and revised as necessary, all investment manager benchmarks to match the revised investment policy guidelines completed over the prior fiscal year.

The ERS, assisted by Callan Associates, partially funded their real estate and private equity allocations.

Joseph Barcic, Jr.

Joseph Barcic, Jr.
Callan Associates, Inc
December 19, 2001

Employees’ Retirement System
City of Baltimore, Maryland
OUTLINE OF INVESTMENT OBJECTIVES AND POLICIES

Investment Objectives

The primary investment objectives of the Employees' Retirement System are set forth below. It is recognized that maximizing any one objective may compromise the achievement of other objectives. For example, maximizing liquidity may reduce investment return; seeking maximum investment return may subject capital preservation to higher risk. Accordingly, the investment objectives are given in descending order of priority:

1. To preserve the capital value of the System adjusted for inflation;
2. To ensure adequate System liquidity to meet benefit liabilities as they fall due;
3. To meet the actuarial interest rate assumptions.
4. Without unduly jeopardizing the above objectives, to exceed the investment return objective by the astute management of funds.

General Investment Policy

The Employees’ Retirement System must comply with investment restrictions imposed by the Laws of the City of Baltimore and any other State or Federal laws dealing with investment of public retirement plan assets. System investment managers are expected to familiarize themselves with these laws.

Investment policy for the System relates to the portfolio of all assets that comprise the total holdings of the System. The Board recognizes that the objective of a sound and prudent policy is to produce investment results that will preserve the assets of the System, as well as to maximize eamings of the System consistent with its long-term needs. These long-term needs have been ascertained through various studies performed on behalf of the Board by its actuary and its investment advisor. Investment policy and the long-run average allocation of plan assets to which they refer are deemed to be consistent with the projected pattern of cash flows to the plan and its projected benefit payments. Should the projected finances of the System change significantly, the applicable Federal or State statutes be amended, or changes in the System’s asset valuation methods be adopted, these policies and average asset allocations will be reviewed and modified by the action of the Board, if appropriate.

In general, the Board recognizes that large pools of assets must be diversified over several different security classifications in order to reduce risk. The following asset allocation has been established as an overall objective for the total holdings of the System:

	% of Total Fund at Market Value
Asset Category	Target
Domestic Equity	40%
Fixed Income	30%
International Equity	15%
Real Estate	10%
Alternative Investments	5%

Within each major security classification, investments should be diversified and excessive concentration in any particular security, company or industry is to be avoided. Detailed guidelines in this regard have been supplied to each of the System’s investment managers. Additionally, each is expected to be familiar with the investment provisions in Article 22 of the Baltimore City Code. Subject to these objectives and guidelines, and the System laws referenced herein, the investment managers shall have full discretion in investment decisions. Managers are advised to notify the Board in writing if these objectives cannot be met or the guidelines constrict performance, and are encouraged to suggest changes in these guidelines at any time.

Employees’ Retirement System
City of Baltimore, Maryland

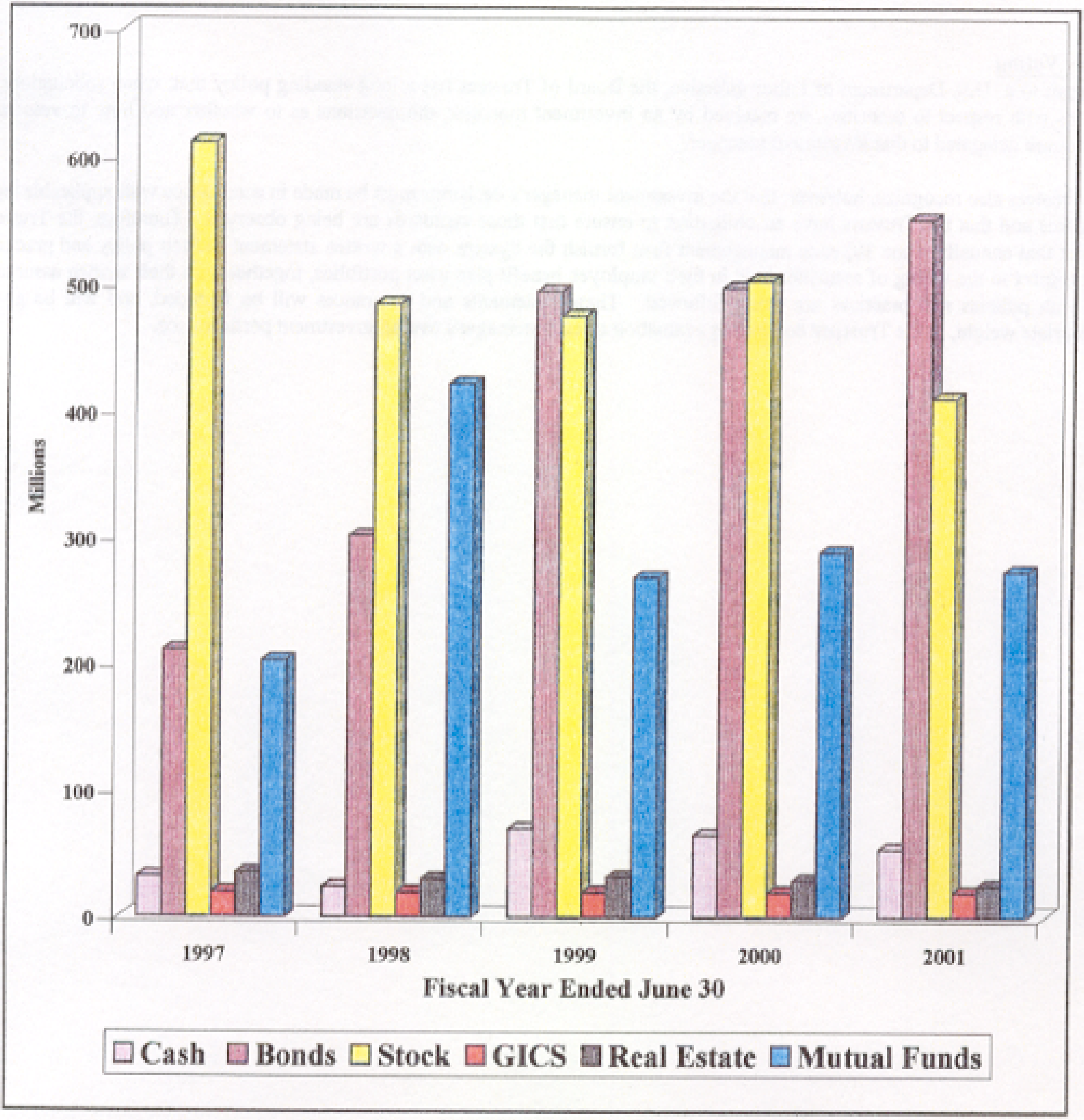
OUTLINE OF INVESTMENT OBJECTIVES AND POLICIES

Proxy Voting

Pursuant to a U.S. Department of Labor directive, the Board of Trustees has a long standing policy that, when solicitations of proxies with respect to securities are received by an investment manager, the decisions as to whether and how to vote such proxies are delegated to that investment manager.

The Trustees also recognize, however, that the investment manager's decisions must be made in accordance with applicable legal standards and that the Trustees have an obligation to ensure that those standards are being observed. Therefore, the Trustees request that annually (June 30) each management firm furnish the System with a written statement of their policy and practices with respect to the voting of securities held in their employee benefit plan asset portfolios, together with their written assurance that such policies and practices are being followed. These statements and assurances will be included, and will be given appropriate weight, in the Trustees' continuing evaluation of each manager's overall investment performance.

Employees' Retirement System
City of Baltimore, Maryland
PORTFOLIO COMPOSITION
MARKET VALUE OF INVESTMENTS



	1997			1998			1999			2000			2001		
Cash	$	32	3%	$	24	2%	$	70	5%	$	65	5%	$	54	4%
Bonds		211	18		302	24		495	23		498	35		552	41
Stock		612	53		485	38		476	35		504	36		411	31
GICS		20	2		20	2		20	1		20	2		20	1
Real Estate		35	3		30	2		32	2		29	2		25	2
Mutual Funds		203	18		422	33		269	20		289	21		274	21
Total	$	1,113	100%	$	1,283	100%	$	1,362	100%	$	1,405	100%	$	1,336	100%

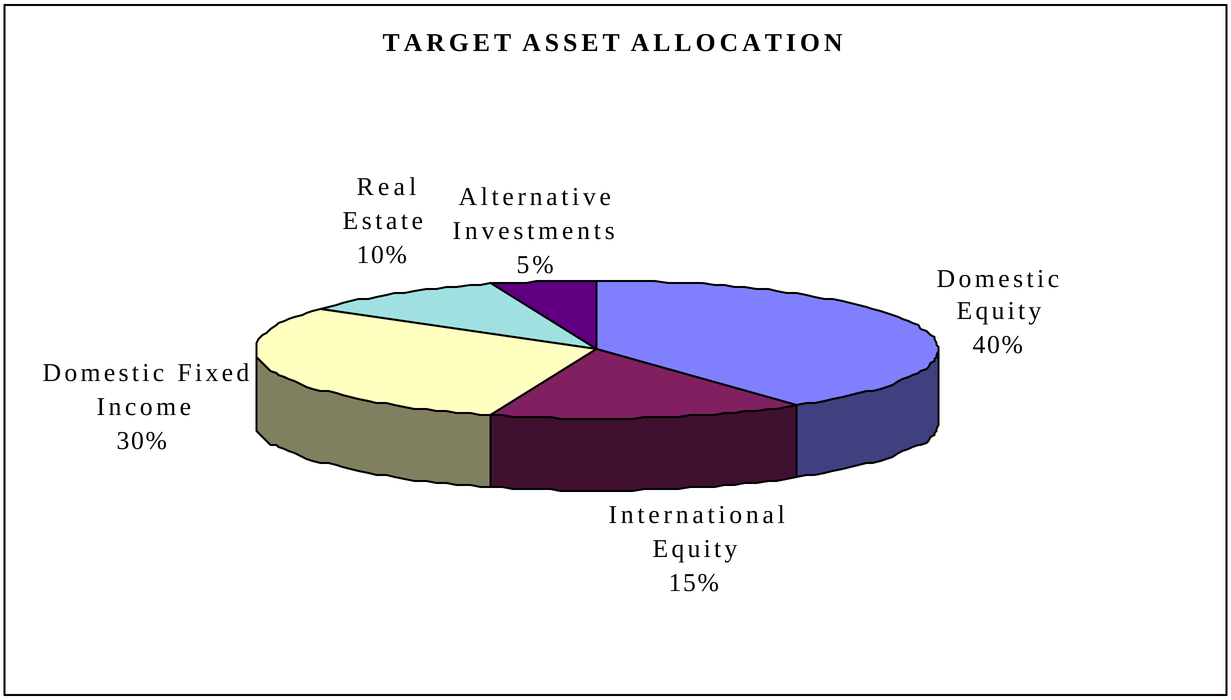
Employees' Retirement System
City of Baltimore, Maryland
INVESTMENT RESULTS - TIME WEIGHTED RATE OF RETURN, CURRENT VALUE BASIS

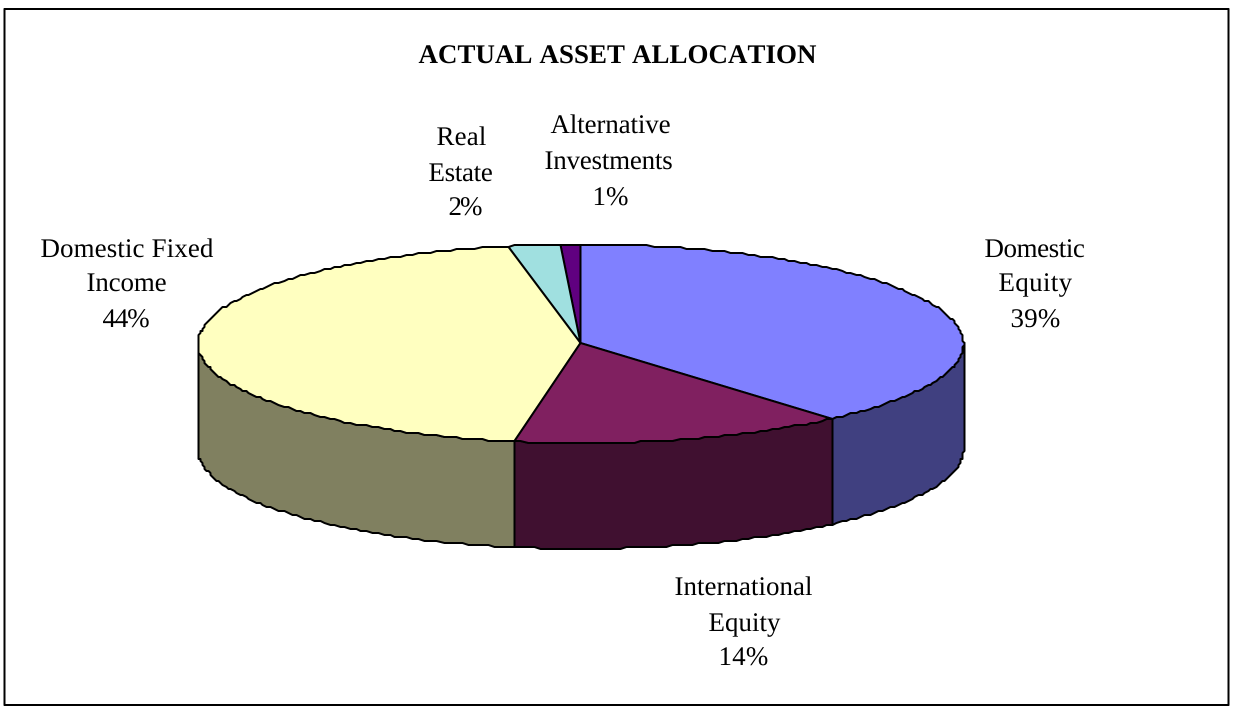
		Annualized	
Total Returns (%)	**FY 2001**	**3 Years**	**5 Years**
TOTAL PORTFOLIO	(2.2)%	5.3%	11.6%
Composite Benchmark	(5.7)	5.5	12.1
DOMESTIC EQUITIES	(9.6)	3.0	12.5
S&P 500 Index	(14.8)	3.9	14.5
INTERNATIONAL EQUITIES	(19.4)	3.1	7.2
EAFE Index	(19.8)	(1.2)	3.0
DOMESTIC FIXED INCOME	12.1	6.4	8.5
Lehman Brothers Govt/Credit	11.1	6.0	7.4
REAL ESTATE	17.1	15.0	12.8
Total Property Index	11.2	11.9	12.7

Notes:
The calculations above were prepared by the Employees' Retirement System's investment advisor, using a time weighted rate of return, based on market value and in accordance with the Association for Investment Management and Research (AIMR) Performance Presentation Standards.

The Composite Benchmark exhibits the overall rate of return for a sample unmanaged portfolio. The Composite Benchmark is comprised of 38.5% S&P 500, 1.5% Russell 2000 + 2%, 2.0% Lehman 20 + Treasury + 2%, 4.5% Lehman Long Term Treasury, 2.5% L/B G/C, 13.5% L/B G/C + 1%, 7.5% L/B G/C Int + 1%, 10% CPI + 5%, 5% Alternative Investments, and 15% EAFE.

Employees' Retirement System
City of Baltimore, Maryland
ASSET ALLOCATION – ACTIVELY MANAGED ACCOUNTS
June 30, 2001





Note: For asset allocation purposes, only actively managed accounts are included. Assets in the mutual funds are allocated between domestic equity and domestic fixed income. Assets of the Paid Up Benefit Reserve and the Contingency Reserve are not included in this illustration. The assets of these funds are invested separately for the sole purpose of providing post retirement benefit increases. Assets in the cash reserve, held for the purpose of paying benefit, administrative and investment expenses, are also excluded from this illustration.

Employees' Retirement System
City of Baltimore, Maryland
TOP TEN STOCK AND BOND HOLDINGS BY MARKET VALUE
June 30, 2001

Top Ten Stock Holdings

	Shares	Stock	Market Value
1)	34,913	Total Fina Elf Eur 10	$ 4,689,802
2)	113,620	Exxon Mobil Corp	4,476,628
3)	158,214	Ing Groep N V Cva Euro.24	4,240,436
4)	53,637	American Intl Group Inc	4,183,686
5)	143,983	GlaxosmithKline Ord GBP0.25	4,062,947
6)	15,870	Nestle SA CHF1	3,387,040
7)	81,263	Citigroup Inc Com	3,291,152
8)	433,049	Shell Trans & Trdg Ord 25P Reg	3,245,906
9)	1,375,506	Vodafone Group PLC Ord USD0.10	3,032,372
10)	90,500	Ralston Purina Co	2,968,400

Top Ten Bond Holdings

	Par	Bonds	Market Value
1)	35,550,000	United States Treasury Bonds 5.375% due 02/15/2031	$ 35,327,813
2)	10,700,000	Federal Natl Mtg Assn Debs 6.000% due 05/15/2008	11,413,904
3)	8,225,000	United States Treasury Notes 7.000% due 07/15/2006	9,312,263
4)	8,200,000	United States Treasury Notes 6.625% due 05/15/2007	9,225,000
5)	8,200,000	EOP Oper Ltd Partnership Nts 6.625% due 02/15/2005	8,457,972
6)	7,000,000	TCI Communications Inc 8.750% due 08/01/2015	8,154,790
7)	7,225,000	Ford Mtr Cr Co Global Land Sec 7.375% due 10/28/2009	7,407,215
8)	6,500,000	AON Cap A Cap Secs	6,526,390
9)	5,920,000	US Treasury Notes 5.625% due 12/31/2002	6,141,053
10)	11,500,000	Refco Strips Generic Int Pmt Zero Cpn 04/15/2013	6,114,665

A complete list of portfolio holdings is available upon request.

Employees' Retirement System
City of Baltimore, Maryland
INVESTMENT SUMMARY
June 30, 2001

	Market Value	Percent of Market Value
Stock:		
Common Stock		
Financial	$ 52,756,580	4.12 %
Technology	42,361,732	3.31
Consumer Services	34,495,971	2.69
Health Care	26,835,106	2.09
Basic Industries	20,756,203	1.62
Capital Goods	18,741,366	1.45
Consumer Nondurables	13,131,798	1.02
Energy	12,776,584	1.00
Utilities	12,969,275	1.01
Transportation	9,501,027	0.74
Consumer Durables	6,402,361	0.50
Total Common Stock	250,728,003	19.55
Other		
International Stock	$ 151,798,439	11.84 %
Venture Capital	8,112,348	0.63
Total Other	159,910,787	12.47
Total Stock	**$ 410,638,790**	**32.02 %**
Bonds:		
U.S. Securities and Agencies		
Treasury Notes and Bonds	$ 267,860,652	20.90 %
U.S. Agencies	65,434,087	5.11
Total U.S. Securities and Agencies	333,294,739	26.01
Corporate		
Financial	$ 140,596,877	10.97 %
Industrial	46,712,704	3.64
Utilities	30,541,187	2.38
Transportation	1,244,441	0.10
Total Corporate	219,095,209	17.09
Total Bonds	**$ 552,389,948**	**43.10 %**
Other Investments:		
Mutual Funds	$ 273,822,624	21.36 %
Real Estate	25,235,077	1.97
Guaranteed Investment Contracts	19,800,887	1.55
Total Other Investments	**$ 318,858,588**	**24.88 %**
Total Investments	**$ 1,281,887,326**	**100.00 %**

Employees' Retirement System
City of Baltimore, Maryland
SUMMARY SCHEDULE OF FEES AND COMMISSIONS
For the Year Ended June 30, 2001

	Assets Under Management	Fees
Investment Managers' Fees		
Domestic equity	$ 258,840,351	$1,271,887
International equity	151,798,439	903,865
Fixed income	552,389,948	815,201
Mutual funds	273,822,624	295,627
Securities lending		288,009
Real estate	25,235,077	152,844
Total Investment Managers' Fees		**$ 3,727,433**
Other Investment Service Fees:		
Custodial fees		$ 183,752
Investment consultant fees		153,000
Total Other Investment Service Fees		**$ 336,752**

Broker's fees on investment transactions for the year ended June 30, 2001 amounted to $777,242. A list of the brokers receiving more than $5,500 in fees are listed below.

Broker Name	Fees Paid	Broker Name	Fees Paid
Merrill Lynch	$ 82,467	Neuberger & Berman	$ 12,167
Weiss Peck & Greer	69,873	Warburg Securities	11,872
Goldman Sachs & Co.	58,515	Standard & Poors Sec	11,670
Ferris Baker Watts Inc.	53,594	Morgan JP Sec	10,975
May Davis Group	28,079	Execution Services Inc.	10,112
Credit Suisse First Boston Corp.	26,553	Lynch Jones & Ryan	10,102
Lehman Brothers	25,417	Instinet	8,030
Smith Barney Inc.	20,306	Oppenheimer & Co.	7,301
UBS	18,074	National Fin Svcs	7,215
Broadcourt Cap Corp.	17,416	DB Clearing Services	6,890
B Trade Services	16,019	Deutsche Bank	6,768
Magna Sec Corp	15,030	Cavenove & Co.	6,331
Morgan Stanley & Co.	14,528	Union Bank	6,328
Wachovia Sec Inc	14,028	Morgan Greenfell	6,058
BT Alex Brown Inc	13,547	SG Cowen Secs Corp	5,722
Bear Stearns & Co.	12,563	Bernstein Sanford & Co.	5,512

Brokerage Commissions

Because of the highly visible nature of the Employees' Retirement System, it is important that the investment managers have as a primary objective in investment transactions to obtain the best execution in all cases. While the investment managers are permitted to direct a portion of commissions for research, it is expected that each manager will receive commission discounts which are commensurate with current discount practice. Investment managers are expected to give first preference whenever possible to brokerage firms with offices located in the Baltimore Metropolitan Area. However, the managers are expected to negotiate commission rates, and local brokerage firms should be given preference only when commission rates and transaction services are competitive with those available from other firms.

Employees' Retirement System
City of Baltimore, Maryland
INVESTMENT PROFESSIONALS

EQUITY MANAGERS

The Edgar Lomax Company
Randall Eley
Springfield, Virginia

The Boston Company Asset Management, LLC
Paul J. Leahy
Boston, Massachusetts

Rothschild Asset Management Inc.
T. Radey Johnson
New York, New York

Alliance Capital Management, L.P.
Elizabeth Smith
New York, New York

Trust Company of the West
Clarence Williams
New York, New York

J. & W. Seligman & Co. Inc.
Dorothy A. Buckley
New York, New York

EQUITY FUND OF FUNDS

Group Advisor

FIS Funds Management, Inc.
Tina Poitevien
Philadelphia, Pennsylvania

Equity Managers

Tiffany Capital Advisors
Curtis Townsend
Willow Grove, Pennsylvania

Emerald Advisors
John Thompson
Lancaster, Pennsylvania

Piedra Capital
Charles H. Womack
Houston, Texas

Daruma Asset Management
Noreen McKee
New York, New York

Valenzuela Capital
Stan Labord
New York, New York

NorthPointe Capital
Michael P. Hayden
Troy, Michigan

INTERNATIONAL EQUITY MANAGERS

T. Rowe-Price International, Inc.
George Murnaghan
Baltimore, Maryland

Invesco Global Asset Management (N.A.) Inc.
Kirk F. Holland
Atlanta, Georgia

Putnam International
John McGowan
Boston, Massachusetts

Bank of Ireland Asset Management
Edward Riley
Greenwich, Connecticut

TACTICAL ASSET ALLOCATION MANAGERS

Barclays Global Investors
Mark D'Andrea
San Francisco, California

Mellon Capital Management Corp.
Earl Kleckner
San Francisco, California

FIXED INCOME MANAGERS

Western Asset Management
Joseph C. Carieri
Pasadena, California

Loomis Sayles & Company, L.P.
Michael J. Millhouse
Chicago, Illinois

Hughes Capital Management, Inc.
Frankie D. Hughes
Alexandria, Virginia

MDL Capital Management, Inc.
Mark D. Lay
Pittsburgh, Pennsylvania

Utendahl Capital Management, L.P.
Carlotta J. Oliver
New York, New York

REAL ESTATE MANAGERS

Lend Lease Real Estate Investments, Inc.
Michael J. Cassidy
New York, New York

Heitman/JMB Advisory Corp.
Mary Ludgin
Chicago, Illinois

TimesSquare Real Estate Investors
William Grady
Hartford, Connecticut

SSR Realty Advisors
Thomas P. Lydon
New York, New York

The RREEF Funds
Gary L. Thompson
Chicago, Illinois

LaSalle Investment Management, Inc.
George Duke
Baltimore, Maryland

VENTURE CAPITAL MANAGERS

Maryland Venture Capital Trust
Baltimore, Maryland

Abbott Capital, Inc.
Raymond L. Held
New York, New York.

CASH MANAGEMENT

Mellon Bond Associates, LLP
Laurie A. Carroll
Pittsburgh, Pennsylvania

SECURITIES LENDING

Mellon Trust
Thomas Daniels
Pittsburgh, Pennsylvania

GLOBAL CUSTODIAN

Mellon Bank, N.A.
Carlos Pacheco
Pittsburgh, Pennsylvania

INVESTMENT ADVISOR

Callan Associates, Inc.
Joseph Barcic, Jr.
Morristown, New Jersey

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Actuarial Section

WILLIAM M.
MERCER
INCORPORATED

Douglas L. Rowe, F.S.A.

December 19, 2001

Board of Trustees
Employees' Retirement System
Baltimore, Maryland

Honorable Members of the Board of Trustees:

An actuarial valuation of the System is made at the end of each fiscal year. The last valuation was as of June 30, 2001, and it determined the employers' contributions for the plan year beginning July 1, 2001. Since the contributions are always accrued, the contributions plus interest will be made during the 2003 fiscal year.

The funding method used in the annual valuation is the Projected Unit Credit Cost method. This method will tend to produce level contributions as a percentage of covered payroll as long as the average age of the active members does not change. If the average age were to increase because of a decline in the number of new members being added to the plan, the Normal Cost portion of the employers' contributions would begin to increase as a percentage of covered payroll. The employers' contributions are increased or decreased to amortize over 20 years the difference between the actuarial value of assets and the Actuarial Accrued Liability. For the plan years beginning July 1, 1998 through July 1, 2001, this amortization decreased the employers' contributions. In the absence of future actuarial gains or losses, this decrease is expected to decline every year due to the re-establishment of a new 20 year period each year.

The objective of producing level percent of pay contributions has generally been met. Two types of events tend to cause some volatility in the contribution rates. These events are favorable/unfavorable investment return resulting in contribution reductions/increases and benefit improvements resulting in contribution increases.

The valuation is based on actuarial assumptions recommended by the actuary and approved by the Board of Trustees. The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Governmental Accounting Standards Board Statement No. 25. Some actuarial assumptions are incorporated into Article 22 of the Baltimore City Code. The plan provisions require a periodic review of the assumptions by the Actuary. The most recent report was completed in October 1999; changes were incorporated in the June 30, 1999 valuation. I believe that the assumptions will produce results that relate reasonably to past and anticipated future experience of the plan.

The valuation was based on a closed group of members; no new hires were assumed. The actuarial value of assets equals the market value adjusted for investment performance above or below the assumed rate of return. Such gains or losses are aggregated and recognized 20% each year. Membership data used for the actuarial valuation is supplied by the Retirement System. The data is thoroughly examined by the actuary for reasonableness. Asset information is provided on an unaudited basis.

All supporting schedules in the Actuarial Section and the Schedule of Funding Progress in the Financial Section have been prepared by the System and reviewed by me.

Douglas L. Rowe

Douglas L. Rowe, F.S.A., M.A.A.A., E.A.

Employees' Retirement System
City of Baltimore, Maryland
ACTUARIAL FUNDING METHOD AND ACTUARIAL ASSUMPTIONS

Actuarial Funding Method

Method of Funding:
(Effective 7/1/89)

The funding method used to determine liabilities and costs is the Projected Unit Credit Cost funding method.

Under this method, Normal Cost is determined as that portion of an employee's projected benefit attributable to the upcoming year of service less the amount of anticipated employee contributions, if applicable.

The current Unfunded Actuarial Liability is open-ended and currently amortized over 20 years. Gains and losses are reflected in the Unfunded Actuarial Liability.

Asset Valuation:
(Effective 6/30/82)

The actuarial value of assets is equal to the market value, adjusted for interest surpluses and deficits over a five-year period.

Earnings above or below the assumed return are released into the actuarial value of assets at the rate of 20% per year. This moderates fluctuations in contributions considerably.

Post Retirement Benefit Increases:
(Effective 6/30/83)

The liabilities for these increases are assumed to be equal to the assets of the Paid Up Benefit Reserve plus the Contingency Reserve. If the actuary feels that these funds are insufficient, additional reserves will be calculated. If the actuary believes that the assets in the Paid Up Benefit Reserve and Contingency Reserve are more than the liabilities for post retirement benefits, the excess is not used to reduce any other liability but simply held as excess funds to back up future post retirement benefit payments.

Actuarial Assumptions

Interest:
(Effective 6/30/99)

8.00% compounded annually until retirement and 6.8% after retirement; employee accumulations earn 5.5% by law.

Expenses:

Expenses are paid from the fund. It is assumed that the fund will have sufficient earnings to pay these expenses and meet the interest assumption.

ACTUARIAL ASSUMPTIONS

Salary Scale:
(Effective 6/30/99)

Salary increases are assumed to vary with age. Sample rates are as follows:

Age	Annual Rate of Salary Increase
20	.0700
25	.0675
30	.0600
35	.0575
40	.0550
45	.0550
50	.0475
55	.0475
60	.0475
65	.0475
69	.0475

The interest rate and salary assumptions are based on an inflation rate of approximately 3.75%.

Social Security:
(Effective 6/30/95)

An explicit determination algorithm is used based on facts and circumstances at retirement, projected into the future. For projection purposes, a 3.75% cost-of-living and a 5.75% wage base assumption are used.

Additional Assumptions:
(Effective 1984)

Percent Married:	Males 80%, females 60%.
Spouse Age:	Female spouse assumed 4 years younger
Remarriage Rates:	None.

Employees' Retirement System
City of Baltimore, Maryland
ACTUARIAL ASSUMPTIONS

Active decrements and service retirement rates were changed effective 6/30/99 due to the approval of the assumptions stated in the October 1999 Experience Study. Sample rates follow:

Age	Withdrawal*	Non-Line Of Duty Disability	Line of Duty Disability	Non-Line of Duty Death Male	Non-Line of Duty Death Female	Line of Duty Death	Service Retirements
25	0.0737	0.0004	0.00012	0.0005	0.0003	0.00005	
30	0.0654	0.0005	0.00012	0.0007	0.0004	0.00005	
35	0.0469	0.0011	0.00024	0.0010	0.0005	0.00005	
40	0.0339	0.0020	0.00024	0.0015	0.0008	0.00005	
45	0.0296	0.0031	0.00036	0.0028	0.0012	0.00005	
50	0.0224	0.0051	0.00060	0.0048	0.0019	0.00005	
55		0.0107	0.00072	0.0071	0.0031	0.00005	**
60		0.0050	0.00081	0.0111	0.0052	0.00005	0.2200
65			0.00114	0.0198	0.0087	0.00005	0.4000
69			0.00117	0.0304	0.0141	0.00005	0.3900

* Increased during first three years of service. (Loaded 150%, 88%, and 25% in the first, second, and third years respectively.)

** Members under age 60 with less than 30 years of service credit retire at a rate of 0.04. Members age 60 or older with less than 30 years of service credit retire at a rate of 0.10. Members under age 60 with 30 or more years of service credit retire at a rate of 0.30 when first eligible and 0.15 each year thereafter.

Mortality Rates for Retired and Disabled Members and Beneficiaries.

Age	Retirees and Beneficiaries Male	Retirees and Beneficiaries Female	Disabled Members Male	Disabled Members Female
55	0.007139	0.003103	0.030208	0.024088
60	0.011133	0.005210	0.036480	0.029888
65	0.019804	0.008681	0.046288	0.038936
70	0.033370	0.016159	0.061504	0.053032
75	0.054758	0.030672	0.084872	0.074672
80	0.089320	0.052691	0.119904	0.107368

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase In Average Pay
6-30-92	12,601	$ 298,770,150	$ 23,710	- - %
6-30-93	12,087	288,273,636	23,850	0.6
6-30-94	11,746	290,192,498	24,706	3.6
6-30-95	11,355	290,125,925	25,550	3.4
6-30-96	11,181	300,219,343	26,851	5.1
6-30-97	10,531	276,069,285	26,215	(2.4)
6-30-98	10,653	290,847,770	27,302	4.1
6-30-99	10,779	305,212,012	28,315	3.7
6-30-00	10,593	308,895,853	29,160	3.0
6-30-01	10,223	309,602,035	30,285	3.9

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

	Added to Rolls		Removed from Rolls		Rolls - End of Year		% Incr. in	Average
Year Ended	No.	Annual Allowances*	No.	Annual Allowances	No.	Annual Allowances	Annual Allowances	Annual Allowances
6-30-92	538	$ 4,050,484	288	$ 1,360,636	6,733	$ 33,825,696	8.6%	$ 5,024
6-30-93	540	6,353,408	325	1,348,759	6,948	38,830,345	14.8	5,589
6-30-94	392	4,548,032	307	1,578,951	7,033	41,799,426	7.6	5,943
6-30-95	459	3,755,014	359	1,899,316	7,133	43,655,124	4.4	6,120
6-30-96	574	7,558,120	345	1,810,391	7,362	49,402,853	13.2	6,711
6-30-97	1,161	19,720,179	389	2,161,634	8,134	66,961,398	35.5	8,232
6-30-98	323	4,909,743	402	2,565,374	8,055	69,305,767	3.5	8,604
6-30-99	421	6,144,093	384	2,397,372	8,092	73,052,488	5.4	9,029
6-30-00	341	5,393,198	378	2,443,889	8,055	76,001,797	4.0	9,435
6-30-01	437	4,640,497	364	2,674,238	8,128	77,968,056	2.6	9,593

* Includes post-retirement adjustments.

Employees' Retirement System
City of Baltimore, Maryland
SOLVENCY TEST

The Retirement System's funding objective is to meet long term benefit promises through contributions which spread the cost over the employees' service base. If the contributions to the System are soundly executed, the System will pay all promised benefits when due - the ultimate test of financial soundness.

A short term solvency test is one means of examining a system's progress under its funding program. In a short term solvency test, the plan's present assets are compared with: 1) Active member contributions on deposit; 2) The liabilities for future benefits to present retired lives; 3) The liabilities for future benefits to terminated vested members; and 4) The liabilities for service already rendered by active members. In a system which has been following the discipline of allocating cost on a consistent basis to valuation years, the liabilities for active member contributions on deposit (liability 1), the liabilities for future benefits to present retired lives (liability 2), and the liabilities for future benefits to terminated vested members (liability 3) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (liability 4) will be partially covered by the remainder of present assets. Generally, the funded portion of liability 4 will increase over time. Liability 4 being fully funded is rare.

The schedule below illustrates the System's history of liability 4.

	Aggregate Accrued Liabilities For					Portion of Accrued Liabilities Covered by Reported Assets			
Valuation Date	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Terminated Vested Members	(4) Active Members (Employer Financed Portion)	Valuation Assets	(1)	(2)	(3)	(4)
6-30-92	$17,617,863	$314,504,111	$9,278,782	$335,041,127	$ 694,210,592	100 %	100%	100%	105.3%
6-30-93	16,235,096	360,503,961	8,247,681	368,756,794	753,124,226	100	100	100	99.8
6-30-94	15,557,686	373,091,304	8,003,373	400,137,211	789,089,530	100	100	100	98.1
6-30-95	14,671,833	410,111,210	9,976,955	409,687,424	852,016,968	100	100	100	101.8
6-30-96	12,941,108	478,402,875	10,530,496	489,095,677	975,925,406	100	100	100	96.9
6-30-97	8,004,768	693,436,888	11,539,500	364,085,323	1,055,278,205	100	100	100	94.0
6-30-98	8,263,152	732,465,080	13,655,292	400,842,230	1,185,992,587	100	100	100	107.7
6-30-99	8,210,398	734,370,779	13,888,567	436,561,613	1,247,951,875	100	100	100	112.6
6-30-00	8,259,801	739,088,699	15,465,717	454,807,452	1,309,547,725	100	100	100	120.2
6-30-01	7,646,329	755,957,926	18,247,395	501,178,623	1,374,100,736	100	100	100	118.2

ANALYSIS OF FINANCIAL EXPERIENCE

Gains and Losses in Accrued Liabilities During Fiscal Year
Resulting from Differences Between Assumed Experience and Actual Experience

Type of Activity	Gain or (Loss) for Year 2000	Gain or (Loss) for Year 2001
Age and Service Retirements If members retire at older ages or with lower final average pay than assumed, there is a gain. If younger ages or higher pays, a loss.	$ (7,522,124)	$ (8,335,628)
Disability Retirements If disability claims are less than assumed, there is a gain. If more claims, a loss.	561,888	4,413,196
Death-in-Service Benefits If survivor claims are less than assumed, there is a gain. If more claims, there is a loss	572,097	1,723,426
Withdrawal From Employment If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	9,384,665	4,968,686
Pay Increases If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	7,204,514	5,522,378
Investment Income If there is greater investment income than assumed, there is a gain. If less, a loss.	21,611,245	(12,940,429)
Death After Retirement If retirees live longer than assumed, there is a loss. If not as long, a gain.	3,966,411	8,664,262
New Entrants New entrants create a loss because they were not assumed in the previous evaluation.	(1,837,861)	(2,259,712)
Other Miscellaneous gains and losses resulting from data adjustments, timing of financial transactions, valuation methods, etc.	4,264,838	(602,986)
Gain or (Loss) During Year From Financial Experience	$ 38,205,673	$ 1,153,193

1. **EFFECTIVE DATE:**

The System was effective January 1, 1926, and has been amended periodically.

2. **ELIGIBILITY:**

Any regular and permanent officer, agent, or employee of the City with the exception of those required to join the Maryland State or other Retirement System will become a Class C member of the Employees' Retirement System upon completion of 1 year of employment. The Board of Estimates may authorize prospective membership for any class of part-time employees. There are 3 classes of members as follows:

Class A - Members who were hired before July 1, 1979, and entered membership on or after January 1, 1954, or who were employed and elected prior to April 1, 1954, to contribute at the higher Class A rate.

Class B - Members as of January 1, 1954, who did not elect Class A membership. Any Class B member may elect to become a Class A member by bringing his accumulated contributions and interest up to what they would be if he had elected Class A membership on January 1, 1954.

Class C - Members who were hired on or after July 1, 1979, or any other members who may have elected to transfer during various open transfer periods to Class C membership.

3. **MEMBER CONTRIBUTIONS:**

Class C members make no contributions. Class A and Class B members contribute 4% of earnable compensation. Contributions are not required upon attaining age 60 and completing 35 years of service.

4. **COMPENSATION:**

Earnable compensation is the annual salary authorized for the member, not including overtime, differential pay, environmental pay, hazardous duty pay, pay for conversion of leave or other fringe benefits, or any like additional payment.

Average final compensation is the average of the member's annual earnable compensation on January 1 for the 3 successive years of service when the member's earnable compensation is the highest or, if the member is in service on January 1 for less than 3 successive years, then the average during total service.

Covered compensation (for Class C members only) is the average of the FICA wage base for the 35 year period ending with the calendar year which ends immediately prior to the earlier of: (1) January 1, which is 1 year prior to January 1 of the calendar year in which member terminates employment; or (2) January 1 of the calendar year in which the member attains age 65.

5. **MILITARY SERVICE CREDIT:**

(A) **Classes A and B**

(1) **Military Service Prior to Employment:** A maximum of 3 years service credit is granted provided the member has acquired:

(a) 10 years of service and has reached the age of 60; or

(b) 20 years of service, regardless of age.

(2) **Military Service Within Employment:** Upon retirement or death, any member who had a break in employment due to military duty, will receive service credit for the period of absence as provided by the Veterans' Reemployment Rights Act.

(B) **Class C**

(1) **Military Service Prior to Employment:** A maximum of 3 years service credit is granted provided the member has acquired:

(a) 10 years of service and has reached the age of 62; or

(b) 20 years of service, regardless of age.

(2) **Military Service Within Employment:** Upon retirement or death, any member who had a break in employment due to military duty, will receive service credit for the period of absence as provided by the Veterans' Reemployment Rights Act.

6. **SERVICE RETIREMENT:**

(A) **Classes A and B**

(1) **Eligibility Requirements:**

(a) Age 60 with 5 years of service; or

(b) 30 years of membership service, regardless of age.

(2) **Benefit Amount:** The sum of:

(a) an annuity of the actuarial equivalent of a member's accumulated contributions; plus

(b) a pension, which together with the annuity will be equal to 1.935% for Class A members and 1.785% for Class B members for each year of service, times the member's average final compensation.

(B) **Class C**

(1) **Eligibility Requirements:**

(a) Age 65 with 5 years of service;

(b) 30 years of service, regardless of age; or

(c) Age 55 with 5 years of service, payable at age 65 or reduced for payment before age 65.

(2) **Benefit Amount:** The sum of:

(a) a pension of 1.60% for each year of service (not to exceed 30), times the member's average final compensation; plus

(b) .25% for each year of service (not to exceed 30), times member's average final compensation in excess of covered compensation; plus

(c) 1.85% for each year of service in excess of 30, times the member's average final compensation.

If a member elects to have his maximum or optional pension commence prior to normal retirement date, age 65 with less than 30 years, the amount of his pension will be reduced 6.667% for each of the first 5 years (prorated for shorter periods) and 3.333% for each of the next 5 years (prorated for shorter periods) by which the commencement of his pension precedes his normal retirement age 65.

(3) **Offset to Retirement Allowance:** Unemployment compensation will be offset from pension benefits.

7. **NON-LINE-OF-DUTY DISABILITY RETIREMENT:**

(A) **Classes A and B**

(1) **Eligibility Requirements:** 5 years of service and determined by a hearing examiner to be mentally or physically incapacitated for the performance of duty, and that such incapacity is likely to be permanent.

(2) **Benefit Amount:** The sum of:

(a) an annuity of the actuarial equivalent of a member's accumulated contributions; plus

(b) a pension which, together with the annuity will equal 1.90% for Class A members and 1.75% for Class B members for each year of service, times the member's average final compensation.

The member will receive as a minimum, the benefit as stated above or 25% of the member's average final compensation.

(3) **Offset to Retirement Allowance:** This benefit is offset by:

(a) workers' compensation; and

(b) earnings in exc ess of base amount (current earnable compensation in same job grade and step adjusted for longevity) with a $1 reduction for each $2 of the first $5,000 of excess and a $2 reduction for each $5 of additional excess earnings.

(B) **Class C**

(1) **Eligibility Requirements:** 5 years of service and determined by a hearing examiner to be mentally or physically incapacitated for the performance of duty, and that such incapacity is likely to be permanent.

(2) **Benefit Amount:** The non line of duty disability pension will be the greater of:

(a) a pension equal to the member's accrued service retirement benefit; or

(b) 15% of the member's average final compensation.

(3) **Offset to Retirement Allowance:** This benefit is offset by:

(a) workers' compensation; and

(b) unemployment compensation.

8. **LINE-OF-DUTY DISABILITY RETIREMENT:**

(A) **Classes A and B**

(1) **Eligibility Requirements:** Immediate eligibility upon membership in the System and determined by a hearing examiner to be incapacitated for the further performance of duty, and the incapacity resulted from an accident occurring while in the actual performance of such duty without willful negligence.

(2) **Benefit Amount:** The sum of:

(a) an annuity of the actuarial equivalent of the member's accumulated contributions; plus

(b) a pension equal to 66.667% of the member's average final compensation.

(3) **Offset to Retirement Allowance:** This benefit is offset by:

(a) workers' compensation; and

(b) unemployment compensation.

(B) **Class C**

(1) **Eligibility Requirements:** Immediate eligibility upon membership in the System and determined by a hearing examiner to be incapacitated for the further performance of duty, and the incapacity resulted from an accident occurring while in the actual performance of such duty without willful negligence.

(2) **Benefit Amount:** The sum of:

(a) an annuity of the actuarial equivalent of the member's accumulated contributions, if any; plus

(b) a pension equal to 66.667% of the member's average final compensation.

(3) **Offset to Retirement Allowance:** This benefit is offset by:

(a) unemployment compensation;

(b) workers' compensation; and

(c) earnings in excess of base amount (current earnable compensation in same job grade and step adjusted for longevity) with a $1 reduction for each $2 of the first $5,000 of excess and a $2 reduction for each $5 of additional excess earnings.

9. **DISMEMBERMENT DISABILITY RETIREMENT (Class C only):**

(A) **Eligibility Requirement:** Loss of any 2 or more of hands, feet, sight of eye(s), or combination thereof, as a direct result of bodily injury from an accident while in the actual performance of duty as determined by a hearing examiner.

(B) **Benefit Amount:** A pension equal to 100% of the member's average final compensation.

(C) **Offset to Retirement Allowance:** This benefit is offset by:

(a) unemployment compensation;

(b) workers' compensation; and

(c) earnings in excess of base amount (current earnable compensation in same job grade and step adjusted for longevity) with a $1 reduction for each $2 of the first $5,000 of excess and a $2 reduction for each $5 of additional excess earnings.

10. **TERMINATION OF EMPLOYMENT:**

(A) **Classes A and B**

(1) **Eligibility Requirement:**

(a) For a termination retirement allowance deferred to age 60, the completion of:

(i) 15 years of service; or

(ii) 5 years of service, if removed from a position without fault or if an elected or appointed official not re-elected or re-appointed.

(b) For a termination retirement allowance payable immediately without reduction for age, the completion of 20 years of service, if removed from a position without fault or if an elected or appointed official not re-elected or re-appointed.

(c) Eligible for a refund of accumulated contributions if not eligible for any other benefits.

(2) **Benefit Amount:**

(a) Deferred Payment: Determined the same as for service retirement, but based on membership service and average final compensation at the time of termination.

(b) Immediate Payment: Determined the same as if the member had retired with a non line of duty disability retirement allowance.

(B) **Class C**

(1) **Eligibility Requirement:**

(a) For a termination retirement allowance deferred to age 65, completion of:

(i) 10 years of service; or

(ii) 5 years of service, if removed from a position without fault or if an appointed official not re-appointed.

(b) For a termination retirement allowance payable immediately without reduction for age, the completion of 20 years of service, if removed from a position without fault or if an appointed official not re-appointed.

(2) **Benefit Amount:**

(a) Deferred Payment: Determined the same as for service retirement, but based on membership service and average final compensation at the time of termination.

(b) Immediate Payment: Determined the same as for age 65 service retirement.

11. **MAXIMUM ALLOWANCE AND OPTIONAL METHODS OF RECEIVING BENEFIT PAYMENTS:**

(A) **Maximum Allowance:** Upon retiree’s death, 40% of retiree’s maximum allowance to unremarried spouse or dependent children until the last dies or attains age 18 (age 22 if a full time student). All other options result in a lesser amount paid.

(B) **Reserve Guarantee Option:** Upon retiree's death, a cash refund to retiree's designated beneficiary based on present value of allowance at retirement less payments made.

(C) **100% Joint and Survivor Option:** Upon retiree's death, 100% of retiree's allowance to continue to designated beneficiary.

(D) **50% Joint and Survivor Option:** Upon retiree's death, 50% of retiree's allowance to continue to designated beneficiary.

(E) **Specific Benefit Option:** Upon the retiree's death and subject to the approval of the Board of Trustees, the member's designated beneficiary will receive:

(1) a specific lump sum amount; or

(2) a specific periodic allowance.

These options are available for service, termination, non line of duty disability, and line of duty disability retirement. Any option and/or beneficiary may be changed by the retired member within 30 days after retirement.

12. **NON-LINE-OF-DUTY DEATH BENEFITS:**

(A) **Classes A and B**

(1) **Lump Sum Benefit:**

(a) **Eligibility Requirements:** Member who

(i) dies while actively employed and
(ii) has one or more years of membership service, but whose death does not qualify as a line-of-duty death.

(b) Benefit Amount: The designated beneficiary is paid

(i) the member's accumulated contributions; plus

(ii) 50% of the greater of the member's average final compensation or current annual earnable compensation.

(2) **100% Survivorship Benefit:**

(a) Eligibility Requirements: This benefit is paid to the member's designated beneficiary spouse with whom he has been living for at least 5 years or his parent(s), provided the Member:

(i) is eligible for service retirement at the time of death; or

(ii) would have become eligible for service retirement within 90 days of the date of death; or

(iii) retired on account of service, non line of duty disability, or line of duty disability and dies within 30 days of retirement; or

(iv) is entitled to a deferred allowance at age 60 and dies anytime between the effective retirement date at age 60 and no later than 30 days following the attainment of age 60.

(b) Benefit Amount: The eligible beneficiary may elect in lieu of the Lump Sum Benefit or the 40% Survivorship Benefit, an allowance equal to the amount that would have been paid under the Service

Retirement 100% Joint and Survivor Option.

(3) 40% Survivorship Benefit:

(a) **Eligibility Requirements:** This benefit is paid to the member's designated beneficiary spouse with whom he has been married for at least 1 year prior to the date of death or to the member's unmarried children if less than age 18 (or age 22 if students), provided the Member:

(i) died in active service; and

(ii) had more that 20 years of service as of the date of death.

(b) Benefit Amount: The eligible beneficiary spouse or children may elect in lieu of the Lump Sum Benefit or the 100% Survivorship Benefit, an allowance equal to 40% of the member's accrued service retirement benefit.

(4) **Offset to Death Benefits:** These benefits are offset by workers' compensation.

(B) **Class C**

(1) Lump Sum Benefit:

(a) Eligibility Requirements: Member who

(i) dies while actively employed and
(ii) has one or more years of membership service, but whose death does not qualify as a line-of-duty death.

(b) Benefit Amount: The designated beneficiary is paid

(i) the member's accumulated contributions, if any; plus
(ii) 50% of the greater of the member's average final compensation or current annual earnable compensation.

(2) **100% Survivorship Benefit:**

(a) Eligibility Requirements: This benefit is paid to the member's designated beneficiary spouse with whom he has been living for at least 5 years or his parent(s), provided the member:

(i) is eligible for service retirement at the time of death; or

(ii) would have become eligible for service retirement within 90 days of the date of death; or

(iii) retired on account of service, non line of duty disability, or line of duty disability and dies within 30 days of retirement; or

(iv) is entitled to a deferred allowance at age 65 and dies anytime between the effective retirement date at age 65 and no later than 30 days following the attainment of age 65.

(b) Benefit Amount: The eligible beneficiary may elect in lieu of the Lump Sum Benefit or the 40% Survivorship Benefit, an allowance equal to the amount that would have been paid under the Service Retirement 100% Joint and Survivor Option.

(3) 40% Survivorship Benefit:

(a) Eligibility Requirements: This benefit is paid to the member's designated beneficiary spouse with whom he has been married for at least 1 year prior to the date of death or to the member's unmarried children if less than age 18 (or age 22 if students), provided the Member:

(i) died in active service; and

(ii) had more that 20 years of service as of the date of death.

(b) Benefit Amount: The eligible beneficiary spouse or eligible children may elect in lieu of the Lump Sum Benefit or the 100% Survivorship Benefit, an allowance equal to 40% of the member's accrued service retirement benefit.

(4) **Offset to Death Benefits:** These benefits are offset by workers' compensation.

13. **LINE-OF-DUTY DEATH BENEFITS:**

(A) **Eligibility Requirements:** A determination by a hearing examiner that the death of a member was:

(1) the direct result of bodily injury though accidental means independent of any pre-existing physical or medical conditions;

(2) occurring while in the actual performance of duty; and

(3) not caused by willful negligence on the part of the member.

(B) **Benefit Amount:** The sum of:

(1) the member's accumulated contributions (if any); plus

(2) an annual pension of 100% of current earnable compensation, payable to:

(a) the spouse during widow(er)hood, provided there is no voluntary separation agreement renouncing rights of inheritance;

(b) if no eligible spouse, or if the spouse dies or remarries, the child or children, equally, until age 18 (age 22 if a full-time student);

(c) if no eligible spouse or child surviving, then to the deceased's father and/or mother equally, or to the survivor;

(d) for Classes A and B, any member who retires and dies within 30 days after the effective date of accidental disability retirement will receive the above benefits if death is the result of injuries in the line of duty.

If no beneficiary and if intestate without heirs, then contributions will remain part of the System.

(C) **Offset to Retirement Allowance:** This benefit is offset by workers' compensation.

14. **POST RETIREMENT BENEFIT INCREASES:**

Benefit increases ranging from a minimum of 1% to a maximum of 5% are provided each year based on investment performance and the availability of assets determined as of each June 30. Only retirees and their beneficiaries, who have been receiving periodic benefit payments as of the June 30 determination date, are eligible for the increase. The actuarially determined increase is payable as an equal percentage increase to all eligible retirees and beneficiaries commencing the January 1 following the June 30 investment performance determination date.

Statistical Section

Employees' Retirement System
City of Baltimore, Maryland
REVENUES BY SOURCE

Fiscal Year	Net Investment Income	Employer Contributions Amount	Employer Contributions % of Covered Payroll	Member Contributions	Total
1992	$ 82,661,729	$11,777,619	3.9%	$880,942	$ 95,320,290
1993	93,873,087	13,354,462	4.6	693,720	107,921,269
1994	15,099,843	20,558,163	7.1	521,935	36,179,941
1995	116,970,881	22,664,750	7.8	353,925	139,989,556
1996	136,586,917	22,119,015	7.4	808,046	159,513,978
1997	203,322,330	19,679,864	7.1	730,187	223,732,381
1998	213,967,956	20,989,768	7.2	348,069	235,305,793
1999	97,507,459	19,709,553	6.5	341,481	117,558,493
2000	107,681,165	18,869,253	6.1	457,620	127,008,038
2001	(7,919,628)	16,592,465	5.4	381,124	9,053,961

Note: Employer contributions were made in accordance with actuarially determined contribution requirements.

Employees' Retirement System
City of Baltimore, Maryland
EXPENSES BY TYPE

Fiscal Year	Benefits	Refunds	Administrative Expenses	Total
1992	$37,107,506	$ 977,771	$ 996,589	$39,081,866
1993	39,755,357	164,163	1,035,743	40,955,263
1994	41,801,884	67,552	1,054,353	42,923,789
1995	44,444,707	13,811	1,056,022	45,514,540
1996	47,895,188	35,290	1,220,514	49,150,992
1997	67,100,801	42,007	1,376,397	68,519,205
1998	70,755,523	6,960	1,195,160	71,957,643
1999	72,842,951	40,728	1,213,641	74,097,320
2000	75,533,492	42,173	1,501,828	77,077,493
2001	79,371,653	718	1,514,343	80,886,714

Note:
Effective July 1, 1979, a new non-contributory class of membership was implemented, whereby a member could elect to transfer from the contributory class to the non-contributory class and receive a refund of his accumulated contributions plus interest. Four open transfer periods, July 1, 1979 through June 30, 1982, July 27, 1984 through December 31, 1985, July 1, 1987 through June 30, 1988, and May 2, 1989 through June 30, 1991, were available to the membership. Refunds for such transfers were as follows:

Fiscal Year	Amount Refunded
1992	$945,366
1993	36,372
1994	9,464

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF ACTIVE MEMBERS BY YEARS OF SERVICE

Years of Credited Service	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
0-4	3,988	2,928	1,756	1,589	1,684	2,062	2,422	2,703	2,567	2,396
5-9	2,033	2,467	3,219	3,133	2,906	2,447	1,836	1,420	1,357	1,397
10-14	2,659	2,601	2,367	1,915	1,689	1,795	2,160	2,452	2,417	2,169
15-19	1,879	1,790	1,858	2,010	2,119	1,990	1,873	1,777	1,497	1,304
20-24	1,250	1,455	1,510	1,509	1,442	1,296	1,299	1,278	1,438	1,516
25-29	509	527	673	825	959	742	839	865	932	947
30+	283	319	363	374	382	199	224	284	385	494
Total Members	12,601	12,087	11,746	11,355	11,181	10,531	10,653	10,779	10,593	10,223
Average Service Credit	10.67	11.82	12.81	13.22	13.30	12.38	12.58	12.61	13.07	13.39
Average Age	43.90	44.79	45.28	45.66	45.71	45.18	45.54	45.69	46.32	46.86

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF RETIREES BY ATTAINED AGE AND TYPE OF RETIREMENT
June 30, 2001

		TYPE OF RETIREMENT*				
Age	Number of Recipients	0	1	2	3	4
35-39	8				8	
40-44	45	2		13	30	
45-49	150	10	3	66	69	2
50-54	311	142	1	86	80	2
55-59	561	215	127	115	96	8
60-64	874	340	303	104	112	15
65-69	1,330	562	509	135	112	12
70-74	1,268	658	391	127	65	27
75-79	1,218	781	312	68	39	18
80-84	785	586	142	18	22	17
85-and up	462	440		2	15	5
Totals	7,012	3,736	1,788	734	648	106
Average Annual Benefit	$10,218	$ 12,700	$ 4,979	$ 13,409	$ 6,153	$ 13,882

*Type of Retirement
0 - Normal retirement for age and service
1 - Early retirement
2 - Discontinued service retirement
3 - Non-line of duty disability
4 - Line of duty disability

Employees' Retirement System
City of Baltimore, Maryland
SCHEDULE OF BENEFICIARIES BY ATTAINED AGE AND TYPE OF RETIREMENT
June 30, 2001

		TYPE OF RETIREMENT*						
Age	Number of Recipients	0	1	2	3	4	5	8
0-24	19	4	1		12			2
25-29								
30-34								
35-39								
40-44	10	6		1	3			
45-49	20	6	4	1	7		2	
50-54	46	15	2	2	20	1	4	2
55-59	48	21	3	2	14	2	5	1
60-64	97	33	17		32		13	2
65-69	142	58	28	3	24	1	23	5
70-74	187	104	26	6	23	2	19	7
75-79	219	125	30	4	29	1	22	8
80-84	173	117	10	5	19	4	13	5
85-and up	155	128	5		9	2	6	5
Totals	1,116	617	126	24	192	13	107	37
Average Annual Benefit	$ 5,661	$ 5,802	$ 2,505	$ 6,068	$3,814	$ 6,180	$ 7,664	$ 17,407

*Type of Retirement
0 - Normal retirement for age and service
1 - Early retirement
2 - Discontinued service retirement
3 - Non-line of duty disability
4 - Line of duty disability
5 - Non-line of duty death, member eligible for service retirement at death
8 - Line of duty death

Employees' Retirement System
City of Baltimore, Maryland
BENEFIT EXPENSES BY TYPE

Year	Age & Service Benefits			Death Benefits			Disability Benefits			
							Retirees			
Ending	Retirees	Beneficiaries	Lump Sum	Duty	Non-Duty	Lump Sum	Duty	Non-Duty	Beneficiaries	Total
1992	$ 26,809,623	$1,916,319	$2,570,142	$ 585,335	$ 576,525	$ 857,416	$1,589,102	$1,902,773	$ 300,271	$ 37,107,506
1993	30,408,694	2,057,482	1,174,845	600,330	659,427	698,072	1,625,697	2,144,185	386,625	39,755,357
1994	33,148,093	2,172,171	120,450	610,155	707,840	611,806	1,672,091	2,347,703	411,575	41,801,884
1995	35,602,090	2,320,073	98,863	627,984	732,620	468,258	1,612,173	2,521,538	461,108	44,444,707
1996	38,319,931	2,450,785	101,076	650,425	761,015	568,154	1,579,116	2,891,756	572,930	47,895,188
1997	56,873,721	2,781,150	135,523	666,734	799,644	474,182	1,588,627	3,172,231	608,989	67,100,801
1998	60,015,665	3,167,893	156,366	667,691	805,494	416,460	1,557,013	3,313,051	655,890	70,755,523
1999	61,528,629	3,426,458	355,602	676,329	821,190	411,891	1,545,164	3,331,260	746,428	72,842,951
2000	63,212,361	4,283,950	165,794	655,266	817,664	360,918	1,511,295	3,673,671	852,573	75,533,492
2001	66,714,579	3,969,755	215,953	755,822	801,375	558,783	1,525,524	4,010,065	819,797	79,371,653

Notes:

1. Ordinance 725 of 1991 permitted City Jail employees who were terminated on June 30, 1991, an option through June 30,1992, to receive a lump sum benefit payment in lieu of all other benefits. These benefit payments amounted to 79.6% of the fiscal year 1992 lump sum cash payments.

2. Ordinance 725 of 1991 also permitted certain Class C members and former Class C members who terminated City employment an option of receiving a lump sum benefit payment in lieu of all other benefits. These payments amounted to 20.4% of the fiscal year 1992 lump sum cash payments.

Employees' Retirement System
City of Baltimore, Maryland
AVERAGE MONTHLY BENEFIT PAYMENTS

Retirement Effective Dates	Years of Credited Service					
From July 1, 1996 to June 30, 2001	5-10	10-15	15-20	20-25	25-30	30+
Period 7/1/96 to 6/30/97						
Average Monthly Benefit	$ 155	$ 636	$ 629	$ 877	$ 1,461	$ 1,938
Average-Average Final Compensation	12,543	24,903	22,229	24,335	30,332	32,158
Number of Active Retirees	6	13	30	39	45	550
Period 7/1/97 to 6/30/98						
Average Monthly Benefit	$ 236	$ 475	$ 697	$ 519	$ 931	$ 1,478
Average-Average Final Compensation	25,461	30,321	35,839	17,799	25,482	29,979
Number of Active Retirees	8	11	7	8	10	12
Period 7/1/98 to 6/30/99						
Average Monthly Benefit	$ 301	$ 382	$ 481	$ 556	$ 766	$ 1,233
Average-Average Final Compensation	25,781	29,066	20,786	18,272	22,653	28,479
Number of Active Retirees	3	10	12	9	13	31
Period 7/1/99 to 6/30/00						
Average Monthly Benefit	$ 251	$ 454	$ 457	$ 1,059	$ 1,059	$ 1,418
Average-Average Final Compensation	33,569	32,024	25,771	36,863	31,644	32,249
Number of Active Retirees	15	46	32	57	50	53
Period 7/1/00 to 6/30/01						
Average Monthly Benefit	$ 162	$ 307	$ 511	$ 1,057	$ 1,127	$ 1,358
Average-Average Final Compensation	24,585	24,799	30,222	37,619	33,590	31,454
Number of Active Retirees	29	47	39	60	53	79
Period 7/1/96 to 6/30/01						
Average Monthly Benefit	$ 200	$ 414	$ 534	$ 966	$ 1,156	$ 1,799
Average-Average Final Compensation	25,783	28,241	26,421	32,452	30,858	31,895
Number of Active Retirees	61	127	120	173	171	725

Employees' Retirement System
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